STATE OF VERMONT

PUBLIC UTILITY COMMISSION

Case No. 23-2221-INV

Investigation into the Clean Heat Standard Default Delivery Agents Costs and Quantities	

VERMONT DEPARTMENT OF PUBLIC SERVICE
COMMENTS ON DEFAULT DELIVERY AGENT OBLIGATIONS, RESPONSIBILITES, AND NUMBER

On December 8, 2023, the Vermont Public Utility Commission ("Commission") issued an order establishing a schedule for the remainder of the investigation into Default Delivery Agents ("DDA") Costs and Quantities in Case No. 23-2221-INV.[1] Consistent with that schedule, on December 11, 2023, the Commission requested comments addressing "the possible number and geographic scope of DDAs as well as a DDA's obligations and responsibilities."[2] The order requested comments on specific subtopics, which the comments have identified below under headers.

General Comments

The Department notes the fundamental challenge of assigning responsibilities to DDA(s) and selecting entities to serve in this capacity without a collective understanding of the magnitude of work that will be required of the DDA or the feasibility of completing that work. The Department maintains that the *Thermal Sector Carbon Reduction Potential Study* is a critical first step in the Commission's establishment of obligated parties' emission reduction requirements. These requirements will indicate the volume of clean heat credits that need to be

1 *Order adopting schedule,* Case No. 23-2221-INV, Order of 12/08/23.
2 *Order requesting comments on default delivery agent obligations, responsibilities, and number,* Case No. 23-2221-INV, Order of 12/11/23.

generated in the coming years by obligated entities, the DDA(s), and other energy service providers. After that, obligated parties have an opportunity to propose to the Commission how they will seek to meet the requirements. The need and scope of one or more DDA(s) is highly dependent on how obligated parities propose to meet their requirements and if the Commission accepts the proposals. The Commission's determinations around credit ownership will undoubtedly impact how obligated entities elect to satisfy their obligations under the Clean Heat Standard.

1. Number and Geographic Scope of Default Delivery Agents

Act 18 allows for multiple DDAs to be appointed and it would be premature at this point in the proceeding to preclude the appointment of multiple entities to serve as DDAs.[3] In selecting one or more entities to fulfill the DDA obligations it will be important to consider the complexity of multiple entities competing to provide clean heat measures in order to generate clean heat credits. It is conceivable that multiple DDAs could be appointed to deliver different clean heat measures or to deliver clean heat measures to different populations or market segments (e.g. renters, commercial customers, low-income Vermonters.) However, assigning multiple DDA(s) to provide the same services, or appointing DDA(s) to deliver services already offered through existing programs, is likely to create confusion and increase costs. For example, a DDA should not be assigned responsibilities that would compete with services provided by the State's low-income weatherization assistance program.

Additionally, if multiple DDAs are appointed, the Commission will need to determine whether the clean heat credit price charged to obligated parties should be consistent across

3 Vt. Stat. Ann. tit. 30, § 8125(a).

DDAs. If one DDA were able to deliver credits at a lower price it would raise equity concerns around which obligated entities had access to those lower-priced credits.

Pursuant to §8125(b), a DDA must be "one or more statewide entities capable of providing a variety of clean heat measures."[4] The Department interprets statewide entity to mean that the DDA must be capable of providing programs and services across the entire state. In making DDA appointments it would be appropriate to consider an entity's ability to provide clean heat measures in sections of the state that have been traditionally underserved through efficiency programs.

2. Obligations and Responsibilities

   a. Scope of Work and Budget Building

Developing the DDA scope of work and budgets will be one of the more complex undertakings under the Clean Heat Standard. The Department envisions a deliberative process that evaluates costs at which services would be provided and secures services at least cost while fulfilling the statute's mandate of equitable delivery of clean heat measures to Vermont households with low and moderate incomes.[5]

Act 18 provides several pathways for each obligated entity to satisfy its annual requirement. Obligated entities need clarity around the cost of Clean Heat Credits prior to determining whether to participate in the DDA structure; and the DDA needs clarity regarding the number of credits it will be required to generate before an appropriate budget can be finalized. Thus, a certain level of iteration will be necessary in establishing DDA budgets and

4 tit. 30, § 8125(b).

5 tit. 30, § 8121, "[The Clean Heat Standard] shall enhance social equity by prioritizing customers with low income and moderate income and those households with the highest energy burdens."; § 8124(d).

scope of work.

It would be extremely inefficient to have potential DDA(s) develop programs and budgets to satisfy the entire thermal sector emissions reductions only to have all of the obligated entities decide to deliver their own clean heat measures and/or purchase credits pursuant to §8125(d).[6] Providing as much clarity as possible to obligated entities around the projected annual requirements, the credit values created for different measures, the requirements for demonstrating credit ownership, and the criteria by which proposals to deliver programs outside of the DDA construct will all help inform obligated entities' compliance pathways and thus produce a collective understanding of the annual requirement that will be assigned to the DDA(s).

b. Reporting and information sharing

§8125(d)(3) requires that DDA credit prices be calculated and shared with obligated entities 120 days prior to the deadline for an obligated party to file its election form.[7] Once obligated entities have decided whether to assign their obligations to the DDA(s), each DDA can amend its three-year plan and budget.[8] It should be noted that the DDA budgets may not simply scale with the number of credits to be delivered. The presence of fixed program administration costs means that reducing the number of credits required of the DDA(s) may actually increase the per credit cost of those credits. However, the initially published credit price will be what the obligated entities compliance election decisions are based on and presumably will need to be

6 tit. 30, § 8125(d), "An obligated party shall meet its annual requirement through a designated default delivery agent appointed by the Commission. However, the obligated party may seek to meet its requirement, in whole or in part, through one or more of the following ways: by delivering eligible clean heat measures, by contracting for delivery of eligible clean heat measures, or through the market purchase of clean heat credits."
7 tit. 30, § 8125(d)(3).
8 tit. 30, § 8125(e)(2).

honored.

c. Required work areas

As noted in the Commission's Order, §§ 8125(f) and (g), identify specific program offerings that are required of the DDA. Noncompliance payments must be used by the DDA "to provide clean heat measures to customers with low income."[9] And DDA(s) must create specific programs for specific classes of buildings, including "multiunit dwellings, condominiums, rental properties, commercial and industrial buildings, and manufactured homes."[10]

The DDA will also need to design its programs and budget to meet the requirement that at least half of the measures delivered to low and moderate-income households are installed measures pursuant to the requirements of § 8124(d)(2).[11] These specific program offerings are largely aimed at difficult to reach markets, and the costs of these program offerings will likely be higher than for other market segments.

It is important to also note that § 8125 also provides that a "default delivery agent may propose a portion of its budget towards promotion and market uplift, workforce development, and trainings for clean heat measures."[12] While these activities may well be critical to the overall achievement of Vermont's Greenhouse Gas reduction requirements for the thermal sector, incorporating these costs into the DDA budget has potential to raise per credit price. This may serve as a disincentive for obligated entities to select DDA service delivery as their compliance

9 tit. 30, § 8125(f).
10 tit. 30, § 8125(g).
11 tit. 30, § 8124(d)(2), "Of their annual requirement, each obligated party shall retire at least 16 percent from customers with low income and an additional 16 percent from customers with low or moderate income. For each of these groups, at least one-half of these credits shall be from installed clean heat measures that require capital investments in homes, have measure lives of 10 years or more, and are estimated by the Technical Advisory Group to lower annual energy bills."
12 tit. 30, § 8125 (e)(1)(B).

pathway under the Clean Heat Standard and make the DDA an option of last resort rather than the default.

d. Other parts of the potential Clean Heat Standard program that would interact with these obligations and responsibilities of a DDA

As noted above, several substantive elements of Clean Heat Standard program design will interact with the obligations of a DDA. Most notable are the results of the *Thermal Sector Carbon Reduction Potential Study,* a determination on credit ownership, and the criteria by which the Commission will evaluate requests by obligated entities to deliver their own programs.

3. Additional topics and/or agenda items for workshop discussion

None at this time.

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