

STATE OF VERMONT
PUBLIC UTILITY COMMISSION

Case No. 17-5257-INV

In re: review of the standard-offer program

Order entered: 01/15/2019

ORDER CLOSING PROCEEDING

On December 29, 2017, the Vermont Public Utility Commission (the “Commission”) opened this proceeding to generally review the standard-offer program.¹ The Commission undertook this review to “generally assess the effectiveness of the current [Request for Proposal] process and the criteria that the Commission uses to award standard-offer contracts.”² In addition, the Commission was directed, pursuant to Act 53 of 2017, to prepare a report addressing issues arising from utilities becoming exempt from the requirements of the standard-offer program.³

The Commission obtained a grant from the U.S. Department of Energy to pay for technical assistance from the Lawrence Berkeley National Laboratory to review the standard-offer program. The Commission gave notice of the proceeding and an opportunity to comment to utilities, state agencies, project developers, and environmental groups. The Commission’s staff conducted a workshop on August 2, 2018, to discuss issues with stakeholders. Experts from the Lawrence Berkeley National Laboratory gave two presentations. The first presentation examined comparable renewable energy procurement programs from across the United States.⁴ The second presentation explored some mechanisms for evaluating proposed standard-offer projects based on their potential benefits or costs to the electric grid.⁵ Workshop participants

¹ Pursuant to 30 V.S.A. § 8005a, there is a standard-offer program under which the Commission awards contracts to renewable energy providers for the sale of power to Vermont’s electric distribution utilities. One of the goals of this program is to provide “support and incentives to locate renewable energy plants of small and moderate size in a manner that is distributed across the State’s electric grid, including locating such plants in areas that will provide benefit to the operation and management of that grid through such means as reducing line losses and addressing transmission and distribution constraints.” The standard-offer program authorizes the Commission to appoint an entity, known as the Standard Offer Facilitator, to administer the program.

² Case No. 17-5257-INV, Order of 12/29/2017 at 1.

³ Acts and Resolves No. 53, § 25 (2017 Vt. Bien. Sess.).

⁴ Galen Barbose, Lawrence Berkeley National Laboratory, *Comparative Review of Procurement Programs Targeting “Small” Renewables* (August 2, 2018).

⁵ Andrew Mills, Lawrence Berkeley National Laboratory, *Using Wholesale Electricity Prices to Distinguish Bulk Power Impacts of Resource Options* (August 2, 2018).

also discussed issues related to exemptions from the standard-offer program and proposed changes to the RFP process intended to increase the number of standard-offer projects that are commissioned.

After the workshop, the Commission solicited two rounds of written comments that were filed in September and October of 2018. The Commission issued for review and comment draft statutory revisions related to standard-offer program exemptions in December 2018.

On December 15, 2018, the Commission submitted a report to the Vermont General Assembly recommending specific changes to the standard-offer program statute intended to address issues related to program exemptions. The Commission recommended allowing utilities that are currently exempt from the standard-offer program to remain so, provided that the utilities obtained and retired sufficient renewable energy credits.⁶ The Commission did not recommend to the Legislature any other changes to the standard-offer program statute.

The Commission has made administrative changes to the standard-offer program based on the recommendations of participants in this proceeding. The information presented in this proceeding showed that some level of project attrition is to be expected, but the Commission believes that the program's success rate can be improved by creating additional incentives for projects to be built. Therefore, the Commission has revised the program's deposit structure. The Commission expects that the nonrefundable deposits recommended by the Standard Offer Facilitator will increase the likelihood that projects will be commissioned within the milestones set in Section 8005a.⁷

The Commission has decided not to make any changes to the standard-offer program to address areas of the grid that are generation constrained, such as the Sheffield-Highgate Export Interface or "SHEI." This proceeding examined whether it would be possible to evaluate proposed projects based on their impact on the electric grid. One potential method involved comparing the cost of a proposed project to historic locational marginal prices. Areas with generation constraints tend to have lower locational marginal prices because there is an excess of

⁶ VERMONT PUBLIC UTILITY COMMISSION, Exemptions from the standard-offer program Pursuant to 30 V.S.A. 8005a(k)(2)(B) (December 15, 2018). A copy of the report has been uploaded in ePUC and can also be viewed on the Legislature's website: <https://legislature.vermont.gov/assets/Legislative-Reports/Report-on-exemptions-from-the-Standard-Offer-Program.pdf>.

⁷ The revised deposits are set forth in the form of the standard-offer contract that will be issued in Case No. 18-2820-INV.

generation compared to demand. It is possible to compare a project's bid price with locational marginal prices to determine the wholesale value of a project's electric output. Projects whose energy has a higher wholesale value would enjoy a competitive advantage over projects proposed in constrained areas. However, it was recognized that there may need to be refinements to this methodology, including developing projections of future locational marginal prices, which could be complicated and data intensive. The Commission believes that implementing a new bid evaluation process would require substantial planning and that developers would need time to identify projects that account for any new bid evaluation criteria.

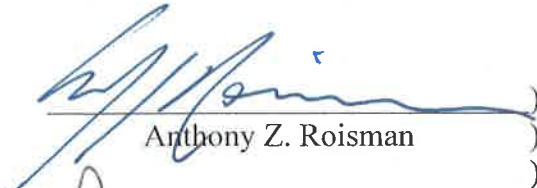
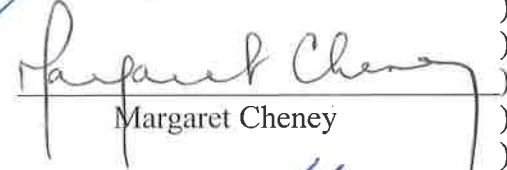

No participant in this proceeding has advocated for the Commission to evaluate bids using locational marginal prices. Instead, some participants recommended a moratorium on projects in the SHEI.⁸ No proposals for standard-offer projects in the SHEI were filed in 2018. Under these circumstances, the Commission does not think that implementing substantial changes to the standard-offer program to address the SHEI issue is an appropriate use of administrative resources or likely to achieve significant benefits for Vermont. The Commission can ensure that proposed standard-offer projects "can be served economically by existing or planned transmission facilities without undue adverse effect on Vermont utilities or customers," and that such projects meet any other applicable statutory criteria, on a case-by-case basis as part of the Commission's review under 30 V.S.A. § 248.

In conclusion, the Commission has found the information presented in this proceeding useful. It has prompted the Commission to recommend statutory changes addressing exemptions from the standard-offer program and to adopt a system of nonrefundable deposits for standard-offer contracts. Any future action by the Commission with respect to the standard-offer program will occur in the course of the Commission's annual review of prices or in a new proceeding, if one is needed. This proceeding is closed.

SO ORDERED.


⁸ See, e.g., Comments of Vermont Electric Cooperative, Inc., dated September 21, 2018.

Dated at Montpelier, Vermont, this 15th day of January, 2019.

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Anthony Z. Roisman)	PUBLIC UTILITY
)	
Margaret Cheney)	COMMISSION
)	
Sarah Hoffmann)	OF VERMONT

OFFICE OF THE CLERK

Filed: January 15, 2019

Attest: 
Clerk of the Commission

Notice to Readers: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Commission (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: puc.clerk@vermont.gov)

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Commission within 30 days. Appeal will not stay the effect of this Order, absent further order by this Commission or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Commission within 28 days of the date of this decision and Order.

PSB Case No. 17-5257-INV - SERVICE LIST

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