

2018 RPS Review (RSA 362-F:5)
Stakeholder Session #3 Notes: RPS Compliance and Renewable Energy Fund
June 14, 2018, 9:00 AM to 1:00 PM
Public Utilities Commission, Hearing Room A

Disclaimer: The following “Notes” summarize comments made by one or more stakeholder(s) during the public sessions and should not be considered a consensus opinion of those in attendance. Opinions expressed in comments are those of the commenter only, and do not constitute the opinions or findings of the Commission.

1) Welcome and Introductions

2) Stakeholder Presentations (15 minutes; including Q&A)

Presentation by Chris Ellms and Alexis LaBrie – “RPS and the 10 year State Energy Strategy”

- a) The New Hampshire Office of Strategic Initiatives discussed suggested reforms to make the RPS more closely align with the 10 Year State Energy Strategy.
- b) Focus on the competitive market, most economical resources and impact on the ratepayer.
- c) Objective is to achieve the RPS goals in the best way possible.
- d) Two suggested reforms:
 - i) Unify the classes, and
 - ii) Include nuclear and hydro (including large scale hydro) as eligible technologies.

3) Experience with and valuation of the benefits and risks of using multi-year purchase agreements for REC (with purchased power), relative to meeting the purposes and goals of this chapter at the least cost to consumers and in consideration of the restructuring policy principles of RSA 374-F:3 (RSA 362-F:5, VII)

- a) Public comments included:
 - i) Multi-year purchase agreements lock in REC prices between a generator and supplier.
 - ii) Long term agreements are not beneficial to ratepayers but do benefit the generator. If multi-year agreements are allowed for regulated utilities, the agreements should go through the PUC approval process.
 - iii) For towns that have decided they want to be 100% renewable by 2030 (for example) contracts are part of the solution. If contracts are not allowed, how would towns meet goals?
 - iv) Current statute provides flexibility.

- v) Purchase agreements tend to be confidential. Transparency is needed.
- vi) There are 2 major risks with multi-year agreements:
 - (1) Credit risk – what happens if producer faults?
 - (2) Regulatory change risk - can't recall any year where there wasn't an RPS amendment.
- vii) Long term contracts provide a lot of buyer risk in regard to compliance value. From sellers perspective there is business appeal.
- viii) There is a cost to regulatory uncertainty and constant changes to the RPS.
- ix) Adhere to the current policy created in 2007 – foster business, create markets.
- x) Long-term contracting reduces costs.
- xi) Private entities exist that are interested in long term contracting.
- xii) A mandate is not needed because long-term contracting is allowed under current law. It is already happening.
- xiii) If RPS obligations increase, then current long-term contracts should be grandfathered.
- xiv) Allow, but do not require, long-term REC contracts.
- xv) Long term contracts would increase the cost to ratepayers because long-term contracts are a risk hedge and there is a cost to risk mitigation which would be borne by the ratepayer.
- xvi) A study in New York showed lower costs to rate payers under long-term contracts.
- xvii) It's hard to use RECs currently as part of any up-front capital financing because the REC market changes so much. RECs do not provide a stable income stream.

4) Alternative methods for renewable portfolio standard compliance, such as competitive procurement through a centralized entity on behalf of all consumers in all areas of the state (RSA 362-F:5, VIII)

a. Public comments included:

- i) Suggested alternative method for compliance: An independent monitor (IM) performs an initial site visit and then produces a monthly generation report. PUC reports production quarterly to GIS.
- ii) Suggested alternative method for compliance: Develop an initial calibration and then use assumptions (similar to the RPS net metering credit calculation). Calculate and report generation based on capacity.
 - (1) Eliminate the requirement for an IM. Use statistics and calculations to calculate generation. IMs cost too much.
 - (2) IM and aggregator process too hard and costly for smaller systems.
 - (3) Small generators versus large generators - appears to be a theme emerging that expectations may need to be different for the two groups.
 - (4) Small generators – perform an initial inspection and then calculate generation.
 - (5) Consider weather data when calculating generation.
- iii) Utilities use a calculation to estimate generation when computing the RPS net metering credit (i.e. production credit for systems interconnected but not REC certified). Why is there no such leniency for residential systems? Instead, residential customers have to hire an IM.
 - (1) The credit that the utilities/PUC calculate is used by all electricity suppliers for the benefit of all customers. There is no financial gain for the utility.

- (2) Many people do not register because they think that means the environmental/renewable attributes of their production stays with them. It is not right that people do not by default get the REC (renewable attributes) of the system they have purchased unless they take additional steps to retain that attribute. This is at best misleading, at worst illegal.
- iv) Thermal Compliance:
 - (1) Some thermal commercial systems want actual metered generation numbers and they are willing to pay for metering. Knowing and tracking actual metered generation is useful in understanding long-term system performance and trouble shooting. Metering can be expensive to setup but once it's in place then monitoring and reporting is easy.
 - (2) Supportive of measurement and verification. All generators should be accountable; especially large scale generators.
 - (3) Small biomass thermal systems should be allowed to earn RECs based on metered fuel inputs. Thermal output metering is much too complicated and expensive for small systems which is why none are registered.
 - (4) Auger metering is also expensive.
- v) Few want to establish a business to be an independent monitor because the business model makes no money.
- vi) IMs take already low REC profit margins away from investor (or generator). Plus, there is the administrative overhead to hire an IM. Eliminate the IM requirement.
- vii) Need to make the REC application process for small generators easier.
- viii) Real money is associated with REC production and sales. There needs to be checks and balances.
- ix) The alternative net metering tariff required regulated utilities to offer production meter and reporting of generation (IM) services. The customer is still the owner of RECs.
- x) IMs are an extra burden on the people who invested in this technology. Also, there are not enough IMs.
- xi) Electronic IMs are allowed. Using electronic metering will reduce IM costs for new installations but does not help older installations.

5) Distribution of the renewable energy fund (RSA 362-F:5, IX)

- a) Current Statutory Requirements:
 - i) Residential and C&I funding (non-residential) allocations based on NH load.
 - ii) Class II Alternative Compliance Payment (ACPs) support solar initiatives.
 - iii) Minimum 15% to Low Moderate Income (LMI).
- iv) Required Programs:
 - (1) Residential solar/wind rebate;
 - (2) LMI; and
 - (3) Competitive C&I RFP.
- v) Additional programs:
 - (1) Residential Solar Hot Water Rebates;
 - (2) Residential and C&I Pellet Rebates; and

- (3) C&I Solar (electric and thermal) Rebates.
- vi) Administrative Expenses.
- b) Public comments included:
 - i) Return money to the load serving entities (LSE's) for complying instead of maintaining a secondary market.
 - ii) Unless secondary market is decreasing ACPs by producing RECs, give funds back to LSE's.
 - iii) Secondary market created by the Renewable Energy Fund (REF) has real and significant benefit for NH.
 - iv) REF and the programs it supports bring jobs and businesses to NH.
 - v) Towns and others that don't qualify for federal tax incentives rely heavily on the REF funds to do projects. The REF is a significant source of assistance to them and many projects would not happen without it.
 - vi) Increase in REC prices as obligations increase or change is not necessarily bad, and we need to stop thinking about it as if it is.
 - vii) REF is not necessarily meant to decrease REC prices; if REC prices increase that is not necessarily bad.
 - viii) RPS should not exist to support REF. Supporting the REF is not the intent of the RPS.
 - ix) In 2011 talked about statutory requirements – should there be a single residential tech neutral program?
 - x) Population as a whole does not benefit from programs. Consider refunding the ACPs to rate payers or to those that have met their RPS obligation.
 - xi) In Rindge SAU they did an energy service project – biomass plant built. What made it affordable was a PUC grant. REF programs provide benefits to towns etc.
 - xii) The ranking system for grants is a rigorous competitive process and it works for projects that do not fit neatly into a rebate program.
 - xiii) How do we define low income? Answer: SB129 defines LMI as 300% of federal poverty guidelines. Response: 300% is too high.
 - xiv) In practice LMI sounds nice but the benefits go to landlords not the LMI residents. Electricity is part of the rent package.
 - (1) Best way to help LMI is to lower electric bill.
 - (2) Current legislation is clear that to participate in an LMI program, there must be a direct benefit to the LMI resident; not the landlord.
 - xv) Currently do not have incentive programs specifically for storage. If you install solar with battery storage, as long as you own the system, you would still be eligible for solar rebate.
 - xvi) Idea of fuel/tech neutrality that came out of the legislative study was an important part of the intent of the legislation and the requirement for a solar program does not meet that intent
 - xvii) Solar helps shave peak load for all ratepayers, including those who don't have solar.

6) Other topics:

- a) Regional Market & State-specific RPS. Public comments included:

- i) Create more stability- harmonize REC classes, definitions, requirements across states as much as possible
- ii) More standardization across states will make RECs more liquid and lower cost to comply
- iii) Do we know the impact other states RPS programs are having on NH? Massachusetts increases its RPS 3% every year, causing volatility. What does NH do to try to protect itself? The PUC can adjust Class III & IV (by statute).
- iv) Consider a process to harmonize RPS requirements across New England states

b) Reporting & Tracking. Public comments included:

- i) The public cannot determine the fuel type being used to meet New Hampshire compliance obligations, particularly for Class I. Additional reporting is necessary to understand where load serving entities are buying RECs from; specifically, generator names, the REC quantity purchased, the location of the generator, and fuel source. On the generator side, additional reporting is needed to see to whom the generator is selling their RECs; specifically how many RECs are produced and to which state(s) are RECs being sold. Then, information between suppliers and generators should be matched to enable an understanding of the RECs flow. The objective is to enact policies to encourage RECs to stay in New Hampshire; thereby making New Hampshire's RPS more productive. For example, if wind project RECs are sold out of state, they shouldn't be claimed against New Hampshire's RPS.
- ii) RECS are settled thru GIS, the GIS webpage shows the certificate numbers. This may not be who purchased the REC initially, but it shows how the REC was settled.
- iii) Suppliers buy RECs every day for their wholesale portfolio. Suppliers have no interest in sharing what is in their portfolio. Suppliers submit an annual compliance report to the PUC indicating how RECs were settled to meet compliance obligations. Focus on point of compliance.

7) Wrap Up:

- a) The Commission plans to accept written comments. The deadline for public comments submission is Friday, September 7, 2018. Instructions and due date will be posted to the RPS 2018 Review website.