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Testimony before House Natural Resources and Energy Committee on H.40

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Thank you for the opportunity to speak on H.40. For context, I am the Deputy Director of the Institute for Energy and the Environment at VLS where I also lead our Energy Clinic and chair the VLS Campus Sustainability Committee. Our student staffed pro bono energy clinic is currently working on legal and business structures to support net-metered community solar and we are currently pursuing a long-term net metering agreement for VLS with a 500 kW solar project where VLS will retain and retire the RECs in support of our participation in the American College and University Presidents' Climate Commitment which requires us to work toward net zero carbon emissions. While my testimony is shaped by these experiences, the comments here are my own and do not necessarily reflect the views of organizations I am affiliated with.

I generally support the goals of H.40, particularly, the requirement that RECs be retired with the resulting greenhouse gas reductions accruing to Vermont electric load, as well as, the presence of meaningful tiers for distributed generation and energy transformation technologies. My comments today are focused on the DG tier, specifically net-metering.

H.40 as Drafted will Unnecessarily Harm Net Metering

My main concern with the bill as drafted appears on page 4, lines 1-3, which states *“(i) if the customer retains the attributes, reduces the value of the credit provided under this section for electricity generated by the customer’s net metering system by the value of the attributes;”*

My concern with this provision is that it would provide a different monetary credit to a Vermont electric net metering customer that wants to retain and individually retire the RECs (or alternatively keep them bundled) associated with their net metered energy, preserving their right to make any associated green claims, compared to a net metered customer that turns their RECs over to the distribution utility to be retired. Since both of these transactions result in the same reduction in Vermont greenhouse gas emissions there is no logical reason to value the environmental benefit of the net metered energy differently.

There are a number of reasons to support a change to H.40 that provides the same net metering credit to customers whether the customer owns the REC (and retires

or does not unbundle it) or whether the REC is turned over to the utility for retirement. As a number of other parties have testified, reducing the financial benefit to customers that want to decrease their own carbon footprint could discourage these customers from net metering as both net metering credits and federal tax incentives are reduced. At a time when financial incentives are being reduced, it could significantly harm customer interest in net metering if we further reduce the incentive for those who want to participate in net metering to mitigate their own personal contributions to climate change. We should instead be encouraging these customers to further invest in net metering. Many state net metering programs leave the RECs with the customer. The following customers will be disadvantaged under a provision that causes them to give up their RECs for no good public policy reason:

1. Colleges and Universities that participate in the Climate Commitment. - Institutions such as VLS, Green Mountain College and Middlebury College have pursued net metering agreements that have retained and retired the RECs in order to reduce their own greenhouse gas emissions. Reducing the incentives to these institutions makes no public policy sense and a slight change in the economics of these agreements could result in them pursuing other strategies such as purchasing inexpensive carbon offsets rather than supporting the development of Vermont solar projects. H.40 should encourage, not discourage, Vermont university and college net metering agreements as they make progress toward reducing their greenhouse gas emissions.
2. Community Solar Projects - There are existing community solar projects across the state and others in various stages of development that are interested in reducing their individual and communities carbon footprints and thus want to own and retire their own RECs. These projects are providing business to local installers and affiliated contractors and often borrowing money from local financial institutions. There is no good public policy reason to reduce the financial incentive to these projects. If these projects have to turn over their RECs to the utility in order to make the finances work then you have taken away a primary reason that community solar projects exist and this bill will result in fewer community solar projects and reduced economic benefit to the Vermont solar industry.
3. Individual and Commercial Projects - If an individual or local business wants to reduce their own carbon footprints and make individual green claims they must retain their RECs. With reduced federal incentives, customer interest in greening their own carbon footprints will become an increasingly important reason for net metering. If the Vermont net metering credit is reduced further then there will be less customer interest in net metered solar and a negative impact on the most distributed form of energy, as well as, local solar installers. H.40 should encourage individuals and business that want to be 100% renewable to do so since it is good for the local environment and good for the local economy.

An Alternative Proposal that Benefits the Customer and the Solar Industry and is Fair to the Utilities

There is a relatively simple alternative that could allow net metered customers to retain their RECs, allowing them to make their individual green claims, account for the net metered energy in the individual DG requirement for the utility, and not raise any concerns about double counting of RECs. The alternative is as follows:

1. Net metered customers that choose to make individual green claims would be paid the same incentive as net metered customers that turn their RECs over to the utility as long as they agree to not unbundle and sell their net metered RECs.
2. The total mWhs for these net metered customers production would be reduced from the DG requirement for each utility. For example, the individual utility requirement for 2017 would become:

$$(0.01 \times \text{utility's annual electric sales}) - (\text{total new customer net metered mWhs that retain their RECs or environmental attributes in utility's service territory}) = \text{utility DG requirement (mWhs)}.$$

Under this alternative, all net metered energy that retires the RECs toward Vermont's greenhouse gas goals is paid the same incentive, the total amount of renewable energy goals, including the amount provided by DG, under H.40 remains the same, utilities are credited for what their customers do under net metering and we remove the disincentive that would otherwise exist for those net metering customers that desire to reduce their own carbon footprints. Since the utility has a unique, separate requirement there are no double counting concerns.

Necessary changes would include:

- Revisions necessary to implement this would be on P18, lines 1-5 where the definition of required amounts would need to be revised to reduce the utility requirement by subtracting annually the quantity of customer retired (or bundled) RECs.
- Another revision would be required on page 40 lines 1-2 to remove the language "reduces the value of the credit" and to add language clarifying that as long as the customer retains and retires the REC (or alternatively does not unbundle it) that it would be eligible for the full net metering credit.