



HEARTWOOD GROUP, INC.

165 Evergreen Street, Providence, RI 02906

401-861-1650

February 28, 2023

Christopher Kearns, Acting Commissioner, Rhode Island Office of Energy Resources
Jim Kennerly, Sustainable Energy Advantage, LLC
Stephan Wollenberg, Sustainable Energy Advantage, LLC
Shauna Beland, Rhode Island Office of Energy Resources
Cal Brown, Rhode Island Office of Energy Resources
Karen Bradbury, Rhode Island Office of Energy Resources

Commissioner Kearns and all,

Thank you for considering input from stakeholders in your evaluation of Rhode Island distributed generation policies. Having been engaged in this work over the course of many policy iterations as a distributed generation project developer and as an active participant and past board member in several energy related advocacy organizations, I appreciate your request for comments.

I hope this letter will help clarify the need for a longer-term process to draft more sustainable and enduring energy policy. Policy churn is highly disruptive to any market. The energy policy issues being considered here and debated across the country are complicated. We need to be more deliberate in developing policies that can last to create not just “programs”, but a sustainable market for clean energy.

I was very glad to see the shared goals clarified in the Docket 4600 Stakeholder Report highlighted in the “First Principles” in your latest presentation. Those goals resulted from a couple years of a very good, very well informed and very intensive stakeholder process. Those Docket 4600 goals should be the basis of any economic analysis done by the consultants in this effort.

As implied in the Docket 4600 report, good distributed energy policy can only come about in the context of improved overall energy policy. It is critical for the entire electricity sector compensation structure to shift from current cost based pricing to a value based pricing framework. A focus on value rather than cost provides critical benefits for distributed energy resources, for rate payers, for utility revenues and for the environment. This kind of fundamental shift will be a win for everyone and make the entire energy delivery system more efficient. It is the best way to remove the current roadblocks in addressing contentious issues in clean energy policy discussions that today are hard to find consensus on.

I will suggest a few additional priorities for energy policy should be:

- a. Build trust by grandfathering commitments to existing distributed generation projects with the regulations and policy under which they were developed.
- b. Treat on-site and off-site distributed generation projects comparably. This is a matter of simple fairness since about 80% of people in Rhode Island can't utilize solar on-site due to structural, roofing, orientation, shading, financial, renting vs owning or other constraints. Offsite solutions are the best option for that large majority of Rhode Islanders to benefit from renewable energy.

- c. Incentivize utilities to easily and quickly interconnect independently owned distributed energy resources of all kinds, while eliminating the utilities current economic incentives to oppose the expansion of independently owned distributed generation.

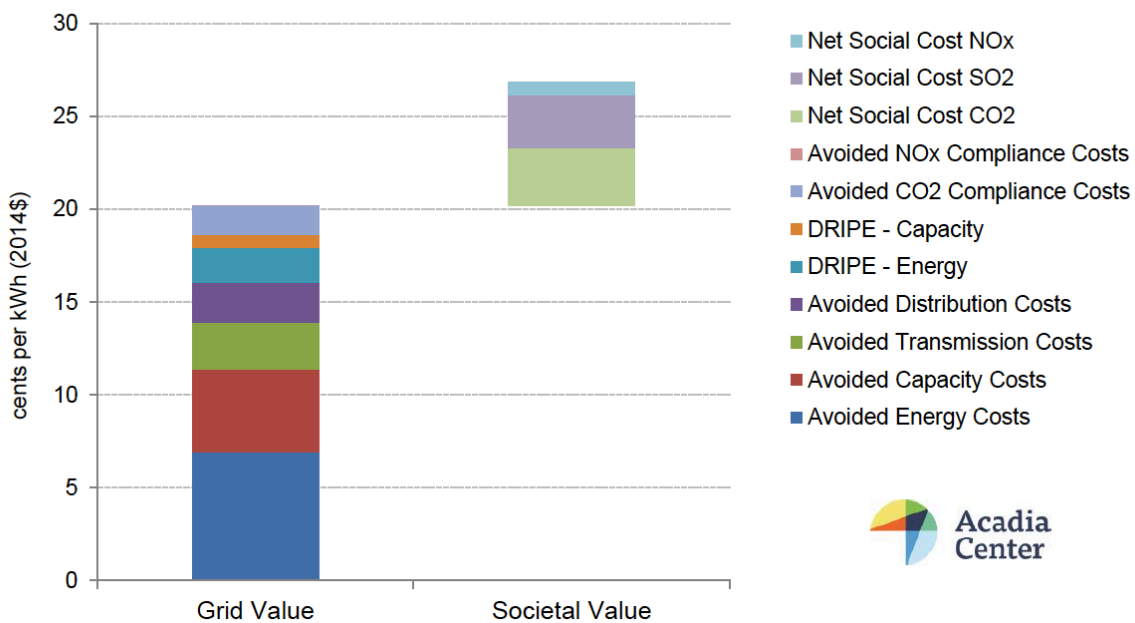
Other issues highlighted in the “First Principles” section of your recent slide deck should not be considered first principles. In fact they really have no place at all in this effort or in any government policy. A distributed generation project’s costs and revenue requirements are none of the business of the Office of Energy Resources, its consultants or anyone else other than the projects owners and financing partners. They should not be considered at all and are very clearly not intended to be considered under the Docket 4600 benefit / cost framework.

Instead under the Docket 4600 framework or any other sensible policy, it is the net value to society that should be subject to Benefit / Cost analysis. The question that should be considered in this effort is not what the costs are to develop and build a distributed generation project, but rather determining the benefits delivered by those projects and the costs that ratepayers and taxpayers should pay for receiving those benefits. Distributed generation projects should be fairly and fully compensated for the value they provide. Ratepayers and taxpayers should pay no more and no less than that value provided.

The only analysis of this type that I am familiar with that has been done for Rhode Island is the Acadia Center’s 2015 “Value of Distributed Generation” report . https://acadiacenter.wpenginepowered.com/wp-content/uploads/2015/07/AcadiaCenter_GridVOS_RhodeIsland_Updated_2016_0119.pdf

It includes valuing avoided costs that solar provides for energy, capacity, distribution, transmission, as well as energy and capacity market price suppression (DRIPE), avoided pollution and avoided regulatory compliance costs. It comes up with net benefits from distributed solar of about 27 cents per kWh based on 2014 data, when retail electricity costs were far below that. I expect that a comparable study today would set that value higher.

Figure 1: Grid and Societal Value of Solar PV in Rhode Island – 25-year Levelized Cost (2014\$)



That study didn't include the benefits of creating local jobs, local investment and in state economic development, which the Docket 4600 process made very clear should all be counted in calculating the net value of distributed generation.

This type of study needs to be updated every few years and should provide the basis for compensation of distributed generation projects. That value, not the costs for independent parties developing distributed generation projects, should be the focus of the current effort you are embarking on.

Distributed generation compensation might come from ratepayers, taxpayers and/or markets for credits like current renewable energy certificate and remote net metering markets. The formulas for calculating the value of that compensation should be clear for everyone to easily understand.

Fair compensation for real value provided is not a subsidy. Let's compensate distributed generation projects for the value they provide and get the state government out of the business of micromanaging the clean energy market.

We can't possibly create good solutions on these issues in just a couple months. Please rethink the process and timeline so that we can at least try to create a set of policies that stakeholders don't feel the need to keep changing on a constant basis.

Thank you for considering these recommendations.



Fred Unger