



Evaluation of Rhode Island Distributed Generation Policies- Stakeholder Meeting #2

Introduction & Overview of Comments

CleanCapital appreciates the opportunity to provide written comments on the second stakeholder meeting for the evaluation of Rhode Island's distributed generation (DG) policies.

CleanCapital is a diversified clean energy investment platform. Founded in 2015, CleanCapital's mission is to accelerate the flow of institutional capital into middle market clean energy projects to further the energy transition. Its deep expertise and focused approach has earned the trust of some of the world's largest institutional investors.

CleanCapital actively invests across the full lifecycle of solar and energy storage projects, including during development, construction, and operations. The company has successfully acquired and managed more than 200 operating and new construction projects in 26 states and U.S. territories, totaling more than 400 MW. The firm is also able to provide capital to early-stage clean energy developers. In 2022 CleanCapital acquired BQ Energy—a national leader in brownfield and landfill clean energy development—and invested in additional developer partners operating across the U.S. To date, the company has invested nearly \$1 billion in clean energy projects and partner companies, including in Rhode Island.

CleanCapital looks forward to working with the Rhode Island Office of Energy Resources (OER) to ensure that any changes to the Rhode Island's distributed generation policies result in a durable solar and energy storage program that puts the State on a path toward meeting its 100% Renewable Energy Standard by 2033 and 2021 Act on Climate requirements, balances ratepayer impacts, and supports a thriving and stable solar and energy storage industry.

CleanCapital's comments are organized with an opening narrative section explaining our positions followed by specific answers to questions posed by Sustainable Energy Advantage (SEA), on behalf of the OER.

CleanCapital appreciates that the question of possible adjustments to net metering, virtual net metering, and the Renewable Energy Growth Program, as well as solar siting are subjects that have come before the General Assembly. However, it's critical that Rhode Island maintain strong solar policies to achieve its aggressive, but ambitious goal of reaching the 100% Renewable Energy Standard by 2033 and 2021 Act on Climate requirements.

For this reason, CleanCapital believes that the most important objectives in DG Policy Design that OER should consider are:

- Encourage sustained distributed generation industry growth and market development

- Maximize likelihood of reaching 100% Renewable Energy Standard by 2033 and 2021 Act on Climate requirements
- Maximize near- and long-term local jobs/economic development
- Leverage recently-adopted federal clean energy tax credits from the Inflation Reduction Act of 2022 (IRA)
- Encourage solar development on disturbed land/minimizes reliance on green space
- Maximize ratepayer and societal benefit/minimize ratepayer and societal cost

In line with these objectives, CleanCapital supports an eventual objective of implementing compensation that pays a distributed energy resource project for the actual value it brings to the grid and society more broadly. Currently, developers are paid the same rate for electricity geographically, regardless of the locational and temporal value that distributed energy resources provide. We echo previous comments by the industry that shifting to a variable price-based compensation mechanism such as the Value of Distributed Energy Resources (“VDER” or “Value Stack”) in New York can more appropriately structure market signals, reflecting the true value of DERs in Rhode Island. Under VDER, facilities are compensated for their generation based on the time and location of the generation and its value to the grid and environment, and eligible technologies include stand-alone and co-located energy storage. CleanCapital recommends that Rhode Island embrace the value of energy storage, whether paired with renewables or standalone, in any future DG policy design or value-based compensation approach as well.

Additionally, rather than embracing disincentives/prohibitions on siting on certain greenfield parcels, CleanCapital strongly recommends adders based on location that align with the state’s public policy objective to encourage solar development on disturbed land and minimize reliance on green space. Through the SMART program, regulators at the Massachusetts Department of Energy Resources established a base rate incentive for all distributed projects, multipliers based on system sizes, and incentive adders for project configurations that met public policy objectives. At the time, this concept of an adder was a first-of-its-kind solar incentive program that New Jersey has subsequently embraced in both its Administratively Determined Incentive Program through a \$20/MWh adder for projects serving public entities, and its Competitive Solar Incentive program, for the storage portion of large-scale solar projects co-located with energy storage. CleanCapital recommends that Rhode Island embrace the concept of explicit adders for projects sited on desired parcels, such as brownfields, landfills, and carports. CleanCapital also supports bid preferences for certain projects/projects sited on certain desired parcels. In addition to the Connecticut programs noted in SEA’s presentation at the March 3 stakeholder meeting, CleanCapital notes that New Jersey recently established a competitive solicitation program with 5 tranches based on characteristics and attributes and an order of evaluation for tranches that prioritizes preferred categories like projects in the built environment or on contaminated sites and landfills. If Rhode Island embraces a model where projects are competitively procured, CleanCapital recommends incorporating a bid preference for certain projects/projects sited on certain desired parcels aligned with public policy objectives.

Furthermore, CleanCapital cautions against providing a preference only for projects not incented by the IRA. While it is true that the Inflation Reduction Act of 2022 (IRA) makes changes to the energy credit in section 48 of the Internal Revenue Code (26 U.S.C. § 48), including a ten percent (10%) “bonus” of the credit amount for sites that qualify as being within an “energy community,” which includes Brownfields, it is only Brownfield sites as defined under Sections 101(39)(A), (B), and (D)(ii)(III) of the Comprehensive Environmental Response, Compensation, and Liability Act, (CERCLA) that are eligible for this 10% ITC adder. Unfortunately, while there should be no reason to exclude Superfund sites from eligibility as a brownfield within the definition, Superfund sites are excluded from eligibility for the 10% ITC adder. CleanCapital and BQ Energy have expressed concerns about the definition of “brownfield site” in the IRA, since that could potentially exclude many projects that the IRA was ostensibly intended to support, including 14 Superfund sites in Rhode Island on the EPA’s Repowering America’s Lands database. As a result, we recommend that OER not make the same mistake or automatically assume that brownfields may not have a higher revenue requirement than a project sited on a greenfield parcel because of this IRA ITC adder and be flexible when making determinations around preferences for projects on contaminated sites and landfills.

Finally, CleanCapital recommends that any broad changes to Rhode Island’s distributed generation policies be accompanied by an orderly transition that ensures prior investments reasonably retain value, and that any changes apply only prospectively and are not applied to projects that have already executed an interconnection agreement. Failure to do so could adversely impact the economics of existing investments, offtake agreements, and operating systems, to the detriment of families, businesses, schools, and communities.

Specific Responses to Policy Design Questions:

- **Compensation Mechanisms:** CleanCapital’s preferred mechanism to compensate DG projects is to maintain bill crediting. However, we would support moving to a framework like NY VDER, where facilities are compensated for their generation based on the time and location of the generation and its value to the grid and the environment in the form of monetary bill credits.
- **Compensation Terms:** CleanCapital is comfortable with a 15-20 year compensation term, which provides certainty on revenue streams necessary to finance and develop in confidence.
- **Transferred Attributes:** Of the options for attributes to be transferred from DG project owners to the EDC, CleanCapital is comfortable with EDC Attribute purchase of Energy + Capacity + RECs, with capacity subject to project owner buyback. A bundled contract (RECs, energy and capacity) drives down the cost of the project and generally improves the financing for solar projects, decreasing the impact on ratepayers when compared to other procurement options.
- **Price-Setting Mechanism and Structure of Bill Credit Compensation:** CleanCapital supports an eventual objective of implementing a value-based price-setting mechanism that pays a distributed energy resource project for the actual value the power brings to the grid and society. Specifically, CleanCapital supports the NY-SUN + NY-VDER Compensation approach, where facilities are compensated for their generation based on

the time and location of the generation and its value to the grid and the environment in the form of monetary bill credits.

- **Eligible Project Sizing to Load:** CleanCapital prefers maintaining the current structure for the maximum size of projects relative to the on-site load they are intended to serve (i.e., 10 MW maximum size, Last Resort Service (LRS) + Transmission (T) + Transition (T) + Distribution (D) sized to 100% of 3-year average load, LRS paid for 100% to 125%).
- **Eligible Accounts and Associated Capacity:** CleanCapital supports a model of all accounts eligible, with no capacity caps. However, CleanCapital also supports moving to a value-based compensation mechanism.
- **Credit Offtake Enrollment:** The option for acquiring energy offtake through the EDC (whether through an opt-in or opt-out approach) could present significant cost savings in customer acquisition. With respect to subscription-based community solar in particular, the use of third-party customer acquisition services can be a material project expenditure, impacting a project's financeability. Additionally, if implemented properly with a reasonable fee structure and in a transparent, easy-to-understand customer interface, utility consolidated billing with purchase of receivables would provide direct benefits to customers while bringing down financing costs.
- **Incentivizing Beneficial Siting:** Rather than embracing disincentives/prohibitions on siting on certain greenfield parcels, CleanCapital strongly recommends adders based on location that align with the state's public policy objective to encourage solar development on disturbed land and minimize reliance on green space. This should include explicit adders for projects sited on desired parcels, such as contaminated lands and landfills, as well as carparks.
- **Disincentives for/Prohibitions on Siting on Certain Greenfield Parcels:** CleanCapital opposes explicit siting disincentives or the implementation of subcontractors for projects. Such efforts undermine the likelihood of reaching the 100% Renewable Energy Standard by 2033 and 2021 Act on Climate requirements. If there are explicit prohibitions, CleanCapital recommends the creation of a waiver process where a developer can make their case for why they ought to be allowed to site a project on a specific parcel of land. Moreover, an important but far too-often overlooked distinction that must be made when discussing land use in the solar industry is the impermanent nature of solar installations. Indeed, the choice is more often between solar arrays and subdivisions, or strip malls. It is a choice between permanently transforming the land or choosing to contract with a Solar company which will drill holes in less than 1% of the footprint of their arrays to drive temporary posts on which the panels will sit for several decades while preserving the land underneath for future agricultural use.
- **Behind-the-Meter Time-Varying Rate (TVR) Integration:** CleanCapital supports future integration of time-varying rate designs, to the extent that they align with a value-based compensation mechanism where facilities are compensated for their generation based on the time and location of the generation and its value to the grid and the environment. As noted at the stakeholder meeting, such a mechanism may incent the adoption of PV projects paired with energy storage. However, CleanCapital cautions that not grandfathering certain projects could adversely impact the economics of existing systems and investments, to the detriment of families, businesses, schools, and communities. As a result, CleanCapital recommends that any broad changes to Rhode Island's distributed

generation policies be accompanied by an orderly transition that ensures prior investments reasonably retain value.

- **Paired Energy Storage Dispatch/Revenue:** CleanCapital's preferred approach to the deployment of energy storage is combining upfront incentives for every kilowatt-hour of energy-storage capacity installed with performance payments for using energy storage in a way that is smart and provides benefits to both the grid and Rhode Island ratepayers at large. With respect to storage dispatch, CleanCapital prefers a performance-based mechanism with payments based on discharging power into the distribution system when called upon by the electric distribution utility during certain performance hours, established by the electric distribution utility, so long as the specified performance hours are not called for with less than 24 hours' notice. Furthermore, CleanCapital opposes the idea that an electric distribution company should retain full control of a battery. Developers will struggle to finance new storage projects if another entity has potential operational control of the battery. Finally, because energy storage is a dynamic resource that both purchases and sells electricity, traditional utility rate structures may not best accommodate energy storage and may render projects cost prohibitive. For example, other states have treated distribution connected front of the meter storage as just a load, where they are assigned rates for large commercial and industrial customers that end up unreasonably expensive for whenever they charge and discharge even if it's beneficial to the grid. As a result, Rhode Island should also embrace revenue-neutral tariffs for front-of-the-meter energy storage systems based on a thorough examination of the costs and benefits that a FTM electric storage system incurs on the distribution system, and these tariffs should exempt front-of-the-meter distribution-connected energy storage systems from charges intended for customers who consume electricity (as storage is not consuming energy, but participating in a sale for resale).

Conclusion:

CleanCapital appreciates the hard work by OER and SEA in undertaking this public stakeholder process to evaluate Rhode Island's Distributed Generation policies. CleanCapital believes these comments capture recommendations that will help ensure that any changes to Rhode Island's distributed generation policies result in a durable solar and energy storage program that will continue to create jobs in Rhode Island, support local economies, and help businesses, homeowners, schools, hospitals, and local governments save on their electricity bills.

Thank you for considering these comments.

Sincerely,



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