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VIA EMAIL

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RE: Evaluation of Rhode Island Distributed Generation Policies Stakeholder Workshop #2: Key Objectives of Design Process and Overview of DG Policy and Program Design Elements

Dear Cal Brown, Jim Kennerly, and Karen Bradbury,

Ecogy Energy, based in Brooklyn, NY and founded in 2010, is an experienced developer, financier, and owner-operator of distributed generation projects across the U.S. and Caribbean. Ecogy's focus and niche is on the <1 MW arena, particularly on systems sited on rooftops, parking lots, and brownfields. Ecogy believes that with sound planning, proper development, and fair incentives for these types of projects, the State, its residents, and the clean energy industry as a whole will ultimately be more successful.

Please accept the attached document as Ecogy Energy's response with regard to the Evaluation of Rhode Island Distributed Generation Policies Stakeholder Workshop #2: Key Objectives of Design Process and Overview of DG Policy and Program Design Elements by Sustainable Energy Advantage, LLC, on Behalf of the Rhode Island Office of Energy Resources.

Ranking the Nine (9) Principles regarding Potential DG Policy Design Objectives from (1 being the most important and 9 being the least important)

Rank 1: Maximize likelihood of reaching 100% Renewable Energy Standard by 2033 and 2021 Act on Climate requirements

Explanation of Ranking: The first step to incentivizing distributed energy resources is to set a goal or target to reach. Therefore, having a clear plan and vision is a key first step to market development.

Rank 2: Encourage sustained distributed generation industry growth and market development

Explanation of Ranking: Once there is a goal or target to reach, priority should be to ensure long-term growth and sustainability within the market.

Rank 3: Leverage recently-adopted federal clean energy tax credits from the Inflation Reduction Act of 2022 (IRA)

Explanation of Ranking: A way to ensure long-term growth is to incentivize renewables deployment through tax benefits and various compensation mechanisms. The IRA of 2022 is historical legislation that is aimed to provide confidence in investments for the future. The Investment Tax Credits (ITC) within the IRA are critically important to project finance.

Rank 4: Maximize ratepayer and societal benefit/minimize ratepayer and societal cost

Explanation of Ranking: A key component of the clean energy transition is to maximize ratepayer and societal benefits as well as minimize ratepayer and societal cost in addition to mitigating climate change. There are various trade-offs to doing so that should be evaluated through this stakeholder process. For example, states including Rhode Island spend exorbitant amounts of money to fund Low Income Home Energy Assistance Programs because energy prices are expensive and there are ratepayers struggling to afford their electricity bills. If we make it easier, more affordable, and more accessible to go solar including streaming interconnection and utility approval processes, the state can lock in rates for solar for 20+ years. This is a possible better and long term solution as an alternative to short-term assistance programs, attacking the problem from the root. A community solar program can also provide those savings, if appropriately supported.

Rank 5: Maximize benefits/minimize costs, impacts and delays associated with interconnection to the transmission and distribution system

Explanation of Ranking: As stated previously, in order to maximize benefits and minimize costs, the impacts and delays with interconnection to transmission and distribution systems are important. In Rhode Island, the interconnection process related to meter installations and lack of standard timelines, communication challenges and lack of standard timelines to receive answers to general and technical questions post ISA leading to delays, Rhode Island Customer Application Portal Challenges and technical issues leading to delays (E.g. Submit button missing), and application review cause delays and increase costs. Quicker interconnection processes can reduce costs and are necessary, especially when discussing streamlining small to medium sized projects in urban environments. Improvements to the interconnection process include faster and standardized meter installation timelines/schedules, a standard timeline for

developers to receive feedback on requests and reach resolution, and a standardized way to report technical issues with utility portals.

In Rhode Island, small to moderate scale projects are grouped together in impact studies with large and utility scale projects without any expedited process such as seen in Massachusetts for systems under 200 kW AC. Location saturation and existing distributed generation on feeders may result in an impact study, even if the total aggregate size of a particular project is on the smaller side. Therefore, ill-sited large ground mounted projects which have long interconnection timelines are delaying the interconnection process of smaller well-sited rooftop projects. It is critical that smaller-to-medium scale projects be afforded fast interconnection processes to streamline such beneficial projects. Such large ground mount projects have also caused moratoriums across the Ocean State which have lumped in all solar development. This is an indirect result in the REG program (and other policies) not directly differentiating between ground-mounted and roof-mounted systems but rather directly benefiting ground-mount projects by putting them in the same auction and capacity as roof-mounts even though ground-mounts have higher production, lower lease payments and simpler interconnection and build processes. A quicker interconnection process for projects under 200 kW AC would effectively combat issues with most projects being pushed to immediately get avoidable impact studies that significantly increase build times.

Utilities can reduce the costs of small to moderate projects and support quicker development timelines that ratepayers can depend on, such as ensuring a solar developer is not expected to solely pay for service upgrades on old building services by analyzing and implementing more equitable cost sharing plans. While interconnection may be granted in some cases, the high costs associated with approval aren't always feasible and there needs to be change if we are going to meet our climate goals in Rhode Island. These costs aren't transparent and developers find it difficult to forecast. For example, we've encountered high meter relocation costs that prevent projects from penciling. Due to utility rules around the service, there tends not to be alternative solutions with contractors and the utility, which can terminate an entire project. Even if a facility is suitable for solar, Ecogy will not move forward with projects that the utility can not find a workaround for regarding meter locations.

Rank 6: Protect consumers from (intentionally or unintentionally) deceptive or abusive practices

Explanation of Ranking: While ensuring distributed generation projects reach commercial operation is critical to meeting climate goals, it must be done so ethically, ensuring consumer protection from bad actors engaging in deceptive or abusive practices. Potential ways to protect consumers is to have a consumer complaint form readily accessible, require security deposits for programs, and open a consumer protection hotline for any issues. In New York, NY-Sun officially rolled out the 2023 NYSERDA Quality Solar Installer (QSI) designation which recognizes builders who consistently meet high standards of quality in the Residential & Nonresidential program. The 2023 NYSERDA Quality Solar Installer – Gold Status designation recognizes builders who have achieved the QSI designation for three consecutive years. A similar list in Rhode Island could serve as a way for ratepayers to have confidence in a developer's credibility.

Rank 7: Maximize near- and long-term local jobs/economic development

Explanation of Ranking: This ranking is lower because it is implied to be included in Ranking 4. Ecogy firmly believes that by focusing on such projects constructed in and on the built environment, the development community can preserve precious and limited natural resources while directing the benefits of local solar to small businesses, property owners, nonprofits, low-income individuals and other organizations that need them most. Maximizing near- and long-term local jobs/economic development is important when deciding how best to support DG. As discussed in question #3, the state can only ensure long-term local jobs and economic development through in-state RECs and in-state renewable energy generation.

Rank 8: Enhance benefits for low income and/or disadvantaged communities

Explanation of Ranking: This ranking is lower because it is implied to be included in Ranking 4. Enhancing benefits to low income and/or disadvantaged communities Maximize ratepayer and societal benefit/minimize ratepayer and societal cost should be prioritized in all policies.

Rank 9: Encourage solar development on disturbed land/minimizes reliance on green space

Explanation of Ranking: This ranking is last because it is implied to be included in Ranking 4 and 5. There are ecosystem services that describe the tangible impacts of built environment solar and other distributed generation on human health, property, and quality of life. Rhode Island to seek to quantify and prioritize these benefits depending on the type of open space and land location. For example, carports on impervious parking lots can lower operational costs for utilities, quicker deployment due to community support, willingness to pay to protect green space, protection from snow, rain, and sun, and benefits for commercial carport hosts in terms of branding and marketing.¹ The advantages of carport projects ultimately relate to lower interconnection costs and improved placement on disturbed lands rather than undeveloped greenfields, which are policy objectives.

Policy Design Elements: Request for Stakeholder Comment

- 1. Compensation Mechanisms: Of the options for DG Compensation Mechanisms on slide 11, which of the potential options presented (or an option not named therein that you recommend) is most appropriate for compensating DG projects, and why?***

Combination of Projects with Bill Crediting and No Specific Offtaker (Buy-all/Sell-all)

Tariff (Buy-all/Sell-all) programs with no specific offtaker are most appropriate for compensating DG projects in Rhode Island. Smaller projects should have higher prices due to economies of scale so compensation should be according to size. The RI Renewable Energy Growth Program (REG) would have greater participation with the incorporation of locational adders that the REG program previously contemplated such as for rooftop, carport, canopy, agrivoltaics, pollinator, and floating solar and solar plus storage such as evidenced in Massachusetts SMART, and Combination of NY-Sun and NY-Value of Distributed Energy

¹ Carport Adder and Benefit-Cost Analysis (BCA) by Sustainable Energy Advantage (SEA) and Mondre Energy in August 2020 under Docket Number 5088.

Resources (VDER). Bill crediting should not be the preferred program over a buy-all/ sell-all option because buy-all/sell-all tariffs with fixed payments reduce administrative costs for both the utility and the developer, reduce risk to the developer due to the credit worthiness of the utility compared to offtakers, and has greater community support due to historical errors from utility billing practices (e.g., inaccurate and delayed CDG billing and crediting in New York), and unfair ESCO practices.

In Ecogy's experience, the RE Growth program is one that has encouraged the most underserved communities as it allows for third party owners such as Ecogy to simply rent space from disadvantaged communities (DACs) and local organizations to host renewable energy systems and pay the host's lease payments which creates new revenue streams that feed directly back into those communities.

Ecogy prides itself on investing in optimal land use projects such as rooftop, canopy and brownfield ground mount installations. R.I. Gen. Laws § 39-26.6-22, passed in 2014, states that "the electric distribution company, in consultation with the board and the office, may propose to include an incentive-payment adder to the bid price of any winning bidder that proposes a distributed-generation project in the desired geographical area" and has yet to be worked on by the REG program. The program was created to incentivize zonal incentives closer to load; yet there has not been a true incentive or study of the accurate value it brings and benefits to ratepayers like New York's Value of Distributed Energy Resources (VDER). The purpose of the value stack is to compensate projects based on when and where they provide electricity to the grid. For example, one of Ecogy's projects located in a Locational System Relief Value (LSRV) area increases the compensation by \$0.08-\$0.10/kWh for 15 years due to its ability to offset grid and substation upgrades. Ecogy strongly believes that this is a missed opportunity by OER and the PUC to provide greater system benefits, reliability benefits, and cost savings to the grid in urban environments.

In order to promote the widespread deployment of distributed energy resources in Rhode Island, VDER for distributed solar in general, and solar + storage in particular, should be reasonable, accurate, and effective. Future tariffs in the state must be improved to partially (or entirely) replace incentives and encourage the long-term growth of distributed resources in Rhode Island.

2. Compensation Term: Of the options for the potential compensation term for DG projects on slide 13, which of the potential options presented (or an option not named therein that you recommend) is most appropriate for compensating DG projects, and why?

The most appropriate compensation term for compensating DG projects is 25+ years and it is in Ecogy's experience that the longer the compensation term is, the better financial outcomes for projects. Programs should be designed to have Value-Based Compensation based on avoided costs and/or benefits of the associated technology such as solar and its benefits to ratepayers and society. For example, a utility scale ground mounted project located within an area that is not densely populated with little industrial and commercial activities should get less value than a project located in an urban environment with high penetration.

A longer term approach is not always associated with greater ratepayer cost and potential cost shifting than a shorter term. For example, Ecogy was able to lock in rates through Gainesville Regional Utilities feed-in tariff program in 2013 at \$0.18/kWh and now Gainesville Regional Utilities ranks 2nd in state for highest electric bills with no sign of rates coming down.²

In Rhode Island, costlier fossil fuels are the cause of predicted increases in power rates, making Rhode Island-produced renewable energy an even better alternative. An example volatility is the most recent 47% electric rate hike proposed by Rhode Island Energy that went into effect Oct 1, 2022. At our RI Newport Office we are currently paying over 30 cents per kWh, far above what our 250 kW solar projects are receiving (20 cents/kWh) nearby. Increasing the deployment of renewables in all categories should be seen as a solution to the volatility of fossil fuel markets, resulting in long-term economic and environmental solutions.

- 3. Transferred Attributes: Of the options for attributes to be transferred from DG project owners to the EDC on slide 15, which of the potential options presented (or an option not named therein that you recommend) is most appropriate for compensating DG projects, and why?***

Modeling Implications for Program Designs with Broad Attribute Purchase

Of the options to have Modeling Implications for Program Designs with Limited Attribute Transfer to EDCs or Modeling Implications for Program Designs with Broad Attribute Purchase, Modeling Implications for Program Designs with Broad Attribute Purchase is most appropriate for compensating DG projects.

Community solar in particular, does not need a high priced SREC market to be successful. With retail prices now much higher and the general outlook being that the total cost to the residential customer is increasing with added inflation, the economics of community solar to developers is very positive – with the major exception being the roadblocks the utilities are putting into interconnection. The emphasis needs to be placed in reducing and streamlining utility and RI Public Utilities Commission approval processes, which will lower overall project costs, making solar pricing that much more attractive.

Generally, a potential route to incentivize distributed solar is to require each utility to purchase a certain number of RECs from less than 2 MW in size within their utility district on a 10 year basis in a reverse auction style – 10 years fixed prices to the best offers. This approach is similar to what PECO currently does in Pennsylvania (PA) in a very limited way (they buy 4 MW from the entire state of PA and 4 MW from their utility territory). Increasing this type of program in size and to all utilities would exponentially increase distributed solar installations.

Both MA and NJ have eliminated their SREC programs for good reasons. Currently, NJ offers fixed SREC-IIIs through the Administratively Determined Incentive (ADI) Program Per Market Segment for 15 years and Massachusetts offers 20 year feed-in-tariffs. The market based price of SRECs made projects less bankable. For example, a project with a fixed price PPA and floating price SRECs can only get debt on the fixed price PPA revenue stream, therefore lenders will not

²Report, Staff.(2022). “Gainesville Regional Utilities Ranks 2nd in State for Highest Electric Bills.” The Gainesville Sun. <https://www.gainesville.com/story/news/2022/04/11/gru-ranks-2nd-florida-highest-municipal-electric-bills/7276989001/>.

lend against the market based SRECs. This simply makes the amount developers can offer to owners of land, rooftops, parking lots, etc (or discounted PPAs) that much less.

Encouraging a Local Market for Attributes

There needs to be specific language that does not allow for double counting within the state of Rhode Island. This would guarantee that all of the state's energy will be truly renewable in 2030, heading the urgency of the climate crisis. Legislation should seek to ban fossil fuels or require an intensive switch to renewable energy. Climate change threatens Rhode Island's water, wastewater, surface transportation, and energy infrastructures and utilities, as well as our natural environment, health, welfare, and economic well-being.³ Many entities who claim to be moving to renewable energy are simply purchasing cheap clean energy certificates rather than actual wind or solar generation in-state. The option to buy RECs or contribute to a REF in H 7277 is an example of an approach to clean energy that doesn't always encourage the production of new wind or solar projects, a result that could jeopardize larger efforts to reduce emissions and combat climate change in Rhode Island.

- 4. Ratepayer Crediting of Gains from Attribute Sales: Of the options for crediting gains from the sales of attributes from eligible DG projects to the EDC on slide 18, which of the potential options presented (or an option not named therein that you recommend) is most appropriate for compensating DG projects, and why?***

There should not be gains. If there are, they should be reinvested toward renewable energy and energy efficiency funds that prioritize low-to-moderate income individuals and families, as well as disadvantaged communities.

- 5. Price-Setting Mechanism: Of the options for DG Price-Setting Mechanisms on slide 19, which of the potential mechanisms presented (or an option not named therein that you recommend) is most appropriate for DG projects, and why?***

Value-Based Price Setting Mechanism

Rhode Island should shift away from previous methods of compensation for Distributed Energy Resources (DERs) with limited accuracy and granularity, to a variable price mechanism that provides compensation based on the actual, calculable values that the generator output provides to the electric system. A variable price based compensation mechanism such as VDER in New York can appropriately structure market signals, reflecting the true value of DER. It made New York the leading 2020 U.S. community solar market because it creates stable, cost-reflective price signals that align developer compensation and innovations with societal benefits.⁴

However, developers under New York's Value Stack are paid the same rate for electricity geographically, regardless of where the solar panels are located. For example, the Environmental

³ <http://climatechange.ri.gov/climate-science/>

⁴ Trabish, Herman K. "New York's Landmark Reforming the Energy Vision Framework Remains Both Vital and Unfinished, Analysts Say." Utility Dive, 9 Dec. 2021, <https://www.utilitydive.com/news/new-yorks-landmark-reforming-the-energy-vision-framework-remains-both-vital/610015/>.

Value (E) is the value of how much environmental benefit a clean kilowatt-hour brings to the grid and society. The rate is based on the higher of NY's Tier 1 renewable energy certificate (REC) value or the social cost of carbon (SCC) and is locked in for 25 years at a fixed price. Therefore, it is not actually compensating for DERs appropriately regarding the social cost of carbon and needs improving.

The Community Credit (CC) was designed to promote the development of Community Distributed Generation (CDG) projects and was fully allocated in Q4 of 2021 which made projects in the downstate Con Edison region uneconomical. The Locational System Relief Value (LSRV), which is available in utility-designated locations where DERs can provide additional benefits to the grid such as the ability to offset grid and substation upgrades also is not replenished (similar to the CC) due to MW limits for each zone. Therefore, it is not actually compensating for DERs appropriately regarding the social cost of carbon and needs improving. If compensation appropriately, equitably, and accurately accounted for avoided costs and/or benefits, then a value-based price setting mechanism would be best to compensate DERs. In Rhode Island, there should also be an evaluable based on varying labor and additional costs that could create an additional incentive beyond the value of energy to account for market dynamics. This would ensure market growth and increase participation within Rhode Island programs.

Cost-Based Options Price-Setting Mechanism

Competitive and administratively-set approaches like the RI Renewable Energy Growth Program (REG) is currently preferred because it allows for more predictable program cost and is one of the easiest programs to participate in due to having one offtaker and limited administrative burden. While frequent price changes can be beneficial, ceiling prices are set yearly in the REG program and developers are only provided less than two months to be able to bid for a project that we must ensure maturity, spending thousands of dollars on. This is also done in the Connecticut Non-residential Energy Solutions (NRES) program where they provided program manuals in February 2023 before an April 2023 bid. The program could be improved by determining those ceiling prices farther in advance, giving developers more certainty and time to plan for projects. The Massachusetts SMART program is an example of providing more certainty overtime, because there is transparency into future blocks which allows for investment to take place on a longer horizon and creates long-term industry standards.

Ecogy acknowledges that a "cost-based approach may also yield payments that are higher than necessary or too low to stimulate development if there are large changes to underlying revenue requirements that are not considered at the time prices are set" such as what is being seen currently in the REG program. However, the state has not shown that it can ensure the additional verification needed to provide sufficient compensation in a value-based system to cover typical costs in the market plus a reasonable return to investors. For example Ecogy commented multiple times in the REG dockets that in 2021 and 2022, the REG was not taking into account

higher costs which resulted in the greatest under enrollment in REG history. Program administrators need to be flexible and understanding of market changes and needs.

6. ***Structure of Bill Credit Compensation to Projects \leq 25 kWAC Receiving Bill Credits: Of the options for the structure of bill credits allocated to DG project owners (and then to offtakers, if different) on slides 21 and 22, which of the potential options presented (or an option not named therein that you recommend) is most appropriate for DG projects that are less than or equal to 25 kWAC, and why?***

N/A

7. ***Structure of Bill Credit Compensation to Projects $>$ 25 kWAC Receiving Bill Credits: Of the options for the structure of bill credits allocated to DG project owners (and then to offtakers, if different) on slides 21 and 22, which of the potential options presented (or an option not named therein that you recommend) is most appropriate for DG projects that are greater than 25 kWAC, and why?***

There should be as little restriction as possible for the way DG project owners allocate credits to offtakers. For example, in the District of Columbia (DC), there is only a two subscriber minimum. In order to ensure that mass market residents are receiving benefits, Rhode Island can look to New York's requirement that no more than 40% of allocation can go toward an anchor or commercial entities and the rest reserved for mass market or residential subscribers to ensure benefits flow to different groups.

8. ***Incentivizing Beneficial Siting: Of the options for Incentivizing Beneficial Siting shown on slide 32 (including for those associated with competitive procurements and those not associated with competitive procurements), which of the potential options presented (or an option not named therein that you recommend) is most appropriate for DG projects, and why?***

Primary Options in Rhode Island Context If Projects Are Not Competitively Procured

In many cases, encouraging beneficial siting means the project will incur higher upfront installation costs, although they can provide greater benefits in other areas, as discussed throughout these comments. If the trends of those projects shift to lower system sizes, there could also potentially be more costs due to economies of scale (e.g., the difference in costs between a greenfield ground mounted project and a solar carport on a parking lot in the built environment). Therefore, signals for projects to be sited on disturbed or other non-greenfield parcels of land would need to be non-competitive. Adders for certain projects/projects sited on certain desired parcels (e.g. gravel pits, brownfields, landfills, agrivoltaics, carports) are critical to those types of projects being built. Ecogy has seen success in bringing projects online through the Massachusetts SMART program adders for community solar, landfill, brownfield, and canopy projects.

9. ***Disincentives for/Prohibitions on Siting on Certain Greenfield Parcels: Of the options for disincentivizing or prohibiting siting projects on certain greenfield parcels of land***

shown on slide 34, which of the potential options presented (or an option not named therein that you recommend) is most appropriate for DG projects, and why?

The SMART program has subcontractors based on acreage and the amount of tree clearing that help disincentivize sitting certain greenfield parcels.

Stakeholder Process

Stakeholders requested a longer commenting period, due to receiving 48 slides of complex policy implications and general awareness that more time would be needed to work through materials. A 7-day commenting period was not enough time for Ecogy Energy to effectively engage in Stakeholder Workshop #2 questions and will not be enough time to engage in future discussions. As stated in our Stakeholder Workshop #1 comments, 30-day comment periods would allow for more robust, thoughtful, and well rounded analysis and participation. There was broad consensus in Stakeholder Workshop #1 that the legislative session is a bandwidth constraint time for this analysis, especially if there is no specific bill this information pertains to. This analysis is critically important and we do not want to see it rushed, resulting in a diluted process.

We thank you for careful consideration of these comments and appreciate your support of the clean energy industry in the Ocean State.

Regards,

/s/

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