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Dear Commissioner Kearns,

Rhode Island Energy (RIE) respectfully submits these comments regarding Rhode Island Office of Energy Resources (OER's) evaluation of Rhode Island Distributed Generation (DG) Policies.

RIE is committed to delivering safe, affordable, reliable, and sustainable energy to our customers, and is actively supporting efforts to help the state meet its climate change mandates. We recognize the role that distributed generation resources can play in helping reduce long-term reliance on fossil fuel-based generation resources and supporting growth in the local green economy. We are also mindful that the continued expansion of DG resources has very real implications for energy affordability; grid operations; and necessary electric distribution and transmission infrastructure. More is being asked of the electric system than ever before, and it is appropriate for the state to evolve its renewable energy programs to meet current policy priorities within our current market landscape. We make two critical overarching points and then discuss some detailed considerations to account for within OER's analysis.

First, accounting for how costs of renewable energy programs are borne is imperative. Both net metering (NM) and the Renewable Energy Growth (REG) program impose costs on all customers today (and well into the future) – especially for those customers who do not directly participate in those programs. These costs lead to higher electricity bills despite other positive externalities which may accrue to society over time (e.g., economic development, environmental). Given the state's climate and clean energy mandates, some of these costs may indeed be warranted, but they do not occur in a vacuum. Simultaneously, consumers face other pressures on their utility bills, such as energy supply price volatility and investments needed to modernize and transform the grid that will enable the interconnection of clean energy resources in support of economy-wide electrification.

Therefore, we appreciate that OER has proposed to consider mechanisms that compensate DG projects in a manner that attracts sufficient financing and provides a fair return on investment, *while minimizing program subsidization by captured ratepayers*. This should include, but not be limited to, consideration of how certain project value streams (e.g., RECs, capacity) can be aggregated and monetized on behalf of ratepayers to reduce net program costs, as well as account for the availability of other public subsidies (e.g., federal or state incentives) that reduce development costs. We know the grid must evolve to meet our Act on Climate mandates – our renewable energy policies should evolve with it and help contain costs into the future.

Second, accounting for how renewable energy programs interact with the distribution system is imperative for safety, reliability, and affordability. Increasing levels of renewable DG lead to complex two-way power flow for which our current electric power system is not designed. Absent grid modernization investments and advanced metering, costs to interconnect renewable DG safely and reliably will increase and those cost increases will flow to electricity bills for all customers.

RIE encourages OER and its consultant, SEA, to account for the above points within the general scoping of this effort, and we offer a few specific considerations below:

- Small-scale renewable DG systems differ from larger-scale renewable DG systems in important ways, including in market maturity and impacts on the electric power system. Therefore, it may

be appropriate to consider different program design elements for different sizes of renewable DG systems.

- Renewable energy programs and DG policies should account for all available incentives, including tax credits, from state and federal sources. Failure to do so will result in unnecessary program costs being borne by all customers. The program structure of REG is much more flexible in this regard, while our NEM structure essentially ignores that principle.
- Absent advanced metering and grid modernization investments, costs to interconnect renewable DG will grow. Increasing costs may be further exacerbated if system sizes increase (including oversizing of residential rooftop systems). Such cost increases should be considered in the analysis and in weighing the tradeoffs of program design elements in achieving policy objectives.
- Value-based compensation that implicitly accounts for costs to develop and reduced costs from subsidization programs is a gold star program design element, alongside the flexibility of any renewable energy program or policy to account for year-over-year changes in value, costs, and subsidization. Reflecting current market conditions and current value propositions is imperative for developing programs that are effective and efficient. The program structure of REG can account for these elements and is flexible. The program structure of NEM – in its current form- cannot account for these elements.
- Costs to develop renewable DG differ across sites. Encouraging some sites or discouraging others may lead to changes in costs to develop, which may manifest as higher feed-in-tariff levels in the REG program.
- Regarding NEM specifically: right sizing the base net metering rate is the most important program design element. We support thoughtful examination and thorough analysis, and applaud OER and SEA for examining modifications to this rate and the potential impact on customer bills. The current model is unsustainable and requires reform.
- Consumer protection – including safe installation of renewable DG systems and fair and accurate marketing of products and bill impacts – is critical and should be considered in program design.

Thank you for your consideration of these comments.