

Dear Rhode Island Renewable Energy Stakeholders,

On behalf of the Rhode Island Office of Energy Resources (OER) and Distributed Generation Board (DG Board), thank you for engaging in the stakeholder process surrounding the development of the Renewable Energy Growth program and prices Program Years 2024 and thereafter.

Pursuant to authorization provided to it by the recently-enacted [Chapter 300 and 301 – An Act Relative to Public Utilities and Carriers – Net Metering \[webserver.rilin.state.ri.us\]](#), on November 14, 2023, OER recommended, and the DG Board voted unanimously to adopt OER’s recommendation to provide the Rhode Island Public Utilities Commission (PUC) with the following elements of a three-year program plan. If approved by the PUC, the plan would elapse from April 1, 2024 to March 31, 2027.

The main elements of this recommended program plan are described in detail below.

Recommended Renewable Energy Classes and Ceiling Prices

For projects less than or equal to five megawatts (5 MW) of nameplate direct current (DC) capacity, the Board voted to recommend the Solar and Non-Solar Renewable Energy Classes and Ceiling Prices for the 2024, 2025 and 2026 Program Years (PYs) in the table below. The percentage change in these recommended prices for the 2024-2026 PY from the 2023 PY approved values is also shown.

Technology	Tariff Term	Size Range kW _{DC} (Modeled Size kW _{DC})	2023 CP (Approved)	Proposed 2024 CP	Proposed 2025 CP	Proposed 2026 CP	% Change (2023→2024 PY)	% Change (2023→2025 PY)	% Change (2023→2026 PY)
Small Solar I	15	0-15 (5.8)	27.75	36.45	34.65	33.95	31%	25%	22%
Small Solar II	20	>15-25 (25)	26.15	33.15	31.95	31.35	27%	22%	20%
Medium Solar	20	>25-250 (250)	25.65	34.35	33.45	33.25	34%	30%	30%
Commercial I	20	>250-500 (500)	22.05	29.35	28.55	28.35	33%	29%	29%
Commercial I CRDG	20	>250-500 (500)	25.15	32.25	31.45	31.25	28%	25%	24%
Commercial II	20	>500-1,000 (1,000)	19.05	24.45	23.75	23.55	28%	25%	24%
Commercial II CRDG	20	>500-1,000 (1,000)	21.91	27.35	26.65	26.35	25%	22%	20%
Large Solar I	20	>1,000-4,999 (4,999)	14.35	18.65	18.05	17.85	30%	26%	24%
Large Solar I - CRDG	20	>1,000-4,999 (4,999)	16.50	21.35	20.75	20.52	30%	26%	24%
Wind	20	<=5,000 (3,000)	19.15	20.25	19.85	19.85	6%	4%	4%
Wind – CRDG	20	<=5,000 (3,000)	21.15	22.05	21.65	21.75	4%	2%	3%
Hydroelectric	20	<=5,000 (500)	31.95	34.15	33.35	33.45	7%	4%	5%
Anaerobic Digestion (AD)	20	<=5,000 (750)	19.05	19.25	18.95	19.05	1%	-2%	1%

In addition, and pursuant to authorization provided to the Board by Chapter 300 and 301, the Board recommended ceiling prices in three new Solar renewable energy classes for project larger than 5 MW_{DC}. The recommended prices for these renewable energy classes (the size ranges for which are proscribed by Chapter 300 and 301) are shown in the table below.

Technology	Tariff Term (Years)	Size Range kW _{DC} (Modeled Size kW _{DC})	Proposed 2024 CP	Proposed 2025 CP	Proposed 2026 CP
Large Solar II	20	5,000-<10,000 (9,999)	18.05	17.45	17.25
Large Solar III	20	10,000-<15,000 (14,999)	18.45	17.85	17.75
Large Solar IV	20	15,000-<39,000 (20,000)	18.15	17.55	17.45

Please note that there are no percentage change values because these are REG program size categories that have never been authorized by statute or recommended before. Please also note that projects in the Large Solar IV category must be sited on a “preferred site”, as defined in Chapter 300 and 301.

Ceiling Price Adjustment Mechanism

As noted above, Chapter 300 and 301 permit OER and the DG Board to propose Ceiling Prices and capacity allocations of up to three program years in duration. It is our understanding that this provision for a multi-year plan was ultimately adopted in order to provide market participants with a more significant degree of certainty regarding future prices and capacity allocations. During the stakeholder process, some stakeholders noted their concern that that unprecedented market volatility affecting renewable energy projects of all sizes and use cases could pose both upside and downside risks for a static set of Ceiling Prices (namely, that prices that do not account for some degree of changes in costs run the risk of potentially over- and under-compensating eligible projects). To balance these concerns regarding the impact of volatility on the costs that are critical to determining appropriate Ceiling Price values, OER recommended (and the Board unanimously adopted) a recommended Price Adjustment Mechanism based on the following interest rate and capital cost thresholds:

- If, for any renewable energy class during the term of the three-year program plan, the interest rates on term debt input values deviate more than 50 basis points (bps) above or below the value utilized in calculating the recommended Ceiling Prices, OER and the Board will recommend to the PUC an adjustment in the prices to account for this specific change in forecasted input value for the forthcoming year only. The basis for measuring the change in the interest rate on term debt input for any given class will be a comparison of the input value and the sum of the following:
 - The average value of 10-year and/or 20-year U.S. Treasury yields over the third quarter of the calendar year prior to the start of the subsequent Program Year, weighted and averaged to approximate the assumed debt term for the modeled project size; **PLUS**
 - A 325 bps risk premium.

- If, for any renewable energy class during the term of the three-year program plan, the total project development cost input value deviates more than 10 percent above or below the value utilized in calculating the recommended Ceiling Prices, OER and the Board will recommend to the PUC an adjustment in the prices to account for this specific change in forecasted input value for the forthcoming program year only. The basis for measuring the change in the upfront capital/installed cost input value will be a comparison of the input value and a broad averaging of the 50th and 75th percentiles of:

- Observed regional and Rhode Island-specific total project development cost values collected between January 1 of the calendar year prior to the calendar year prior to the program year in question and October 1 of the calendar year prior to the program year in question from state databases; and
- Revealed regional and Rhode Island-specific total project development cost values from a mix of accepted REG program bids and other values from available private databases (such as EnergySage).
- If, for any renewable energy class during the term of the three-year program plan, a change in state or federal law or regulations results in a direct, material and mandatory impact on the rate of return for eligible projects relative to what was calculated as part of the recommended Ceiling Prices, OER and the Board will recommend to the PUC an adjustment in the prices for the subsequent program year to account for such a direct, material and mandatory impact. While any change would apply to only the forthcoming program year, OER and the Board would reserve the right to propose such a change at any time prior to the start of said program year.

During the calendar year prior to the program year in question, SEA will conduct the analysis to establish whether the above thresholds have been met. SEA, on behalf of OER and the DG Board, will report the findings to stakeholders, without regard to whether any specific threshold was met.

Incentive-Rate Adder Values

In recognition of the siting restrictions imposed by the recently-enacted Chapters 300 and 301 with regard to core forested parcels of land, the recently-enacted law also requires either of the DG Board, OER or Rhode Island Energy to recommend to the Public Utilities Commission incentive-rate adders for Solar projects on parcels that “require remediation”. In accordance with these new statutory provisions, and in addition to the recommended Renewable Energy Classes and Ceiling Prices, the DG Board voted to recommend, as also recommended by OER and in line with guidance provided by the Rhode Island Department of Environmental Management (DEM), to adopt incentive-rate adders for projects sited on un-remediated brownfield and/or Superfund sites, as well as projects on un-capped landfill parcels only. For landfill projects, the recommended adder values would vary based on whether the municipality hosting the landfill can attest to its lack of existing funding to cap the landfill. Further detail regarding the process for qualifying for said adders will be included in Rhode Island Energy’s proposed revised Renewable Energy Growth program tariff and solicitation rules, which we will share with stakeholders upon its filing at the PUC. The recommended incentive-rate adder values are shown in the table below.

Incentive-Rate Adders (Final Recommended 2024-2026 PY Values)

<i>Renewable Energy Class</i>	<i>Uncapped Landfill Parcels on a DEM List</i>		<i>Un-Remediated Brownfield or Superfund Parcels on a DEM List</i>
	<i>Projects in Municipalities Unable to Attest to Lack of Remediation Funds</i>	<i>Projects in Municipalities Able to Attest to Lack of Remediation Funds</i>	
Non-Large Solar (<1 MW)	4.30	8.00	3.60
Large Solar I (1 MW-<5 MW)	4.30	8.00	3.60
Large Solar II (5-<10 MW)	3.60	7.80	2.90
Large Solar III (10-<15 MW)	3.40	7.50	2.80
Large Solar IV (15-<39 MW)	3.30	7.40	2.70

Please note that the recommended adder value by project size, if approved, would be available to all eligible projects during each of the 2024, 2025 and 2026 program years.

Megawatt Allocation Plan

As permitted by Chapter 300 and 301, the Board may recommend a plan of up to 300 MW of solicited capacity annually, with a minimum capacity set aside of 30 MW for projects less than or equal to 1 MW. Furthermore, the law also eliminated requirements that unused capacity be carried forward to subsequent program years. In line with these new provisions, the Board approved the following three-year Megawatt Allocation Plan.

<i>Renewable Energy Class</i>	<i>Size Bin (DC)</i>	<i>Recommended Program Year Allocation (MW_{DC})</i>		
		<i>2024</i>	<i>2025</i>	<i>2026</i>
Small Solar	<=25 kW	9	10	12
Medium Solar	>25-250 kW	5	7	9
Commercial Solar I	>250-500 kW	7.5	9.5	11.5
Commercial Solar I CRDG	>250-500 kW	0.5	0.5	0.5
Commercial Solar II	>500 kW-1 MW	10.5	11.5	12.5
Commercial Solar II CRDG	>500 kW-1 MW	1	1	1
Large Solar I	1-<5 MW	15	20	25
Large Solar I CRDG	1-<5 MW	5	5	5
Large Solar II	5-9.99 MW	35	35	35
Large Solar III	10-14.99 MW	15	30	30
Large Solar IV	15-38.99 MW	0	0	40
Wind	<=5 MW	3	3	3
Wind CRDG				
Small Scale Hydro	<=5 MW	1	1	1
AD				
Total	All	107.5	133.5	185.5

The plan is intended to represent a balancing of multiple objectives, including (but not limited to) 1) ensuring that the amounts solicited accurately reflect the amount of capacity expected to be eligible for REG qualification in each program (based on an analysis of Rhode Island Energy’s interconnection queue) and 2) ensure that the State’s policy objectives of encouraging siting of projects on preferred sites.

Anticipated Next Steps/Important Note Regarding Program Plan Values

OER and the Board anticipate filing the program plan with the PUC in December 2023. Though any schedule for the PUC’s review will not be known until the PUC issues such a schedule following the filing of the program plan, the 2024 Program Year will begin no later than April 1, 2024.

Though the PUC has historically declined to adjust the recommended Ceiling Prices, **market participants should bear in mind that the Megawatt Allocation Plan and Ceiling Prices are subject to revision by the PUC, upon its own recommendation, or the recommendation of any party involved in the proceeding. Therefore, any market participant’s assumption and/or reliance on these prices or available capacity allocations for investment or development decisions is undertaken at that market participants’ own risk.**

Thank you very much for your involvement in the process to date. SEA, on behalf of OER and the DG Board, will provide further relevant updates in the weeks and months to come.

Best,

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