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The SMART GRID Transition: Responding to the Clean Energy Mandate

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Evaluation of the Feed in Tariff Program

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Role of the Department of Public Service

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- Generally, the DPS acts as the Public Advocate to ensure actions taken by utilities are in the public interest
- Yardstick for evaluation is principle of Least Cost Planning
- Many pressures to add costs to rates that do not meet this test:
 - Low income rates
 - Economic Development Rates
 - Two bills in leg –
 - ✦ free block of power
 - ✦ Requirement to bury power lines

Role of the Department of Public Service

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**Look for Value for
Ratepayers in any
Program**

What Were the Goals of the Feed in Tariff Program?

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- Unclear – would have been helpful to have goals more clearly defined
- Possibly-
 - Get more renewables into the power mix
 - Create jobs in the renewable sector
 - Promote innovation in the renewable sector
 - Capitalize on the benefits of distributed generation
 - Reduce GHG Emissions
 - Achieve lower costs and stable costs for ratepayers

Goal - Get more renewables into the power mix

- Targeted technologies are more expensive, generally suffering from diseconomies of scale
- Could get more renewable energy for less
- CV and GMP recently signed a contract for 50 MW of wind and a much lower rate.

Goal - Create jobs in the renewable sector



- Higher rates cost jobs in other sectors of the economy
- DPS studied job effects and found them to be insignificant after construction
- Quote from first application:
“No full time jobs will be created as a result of the Project.”

Goal - Promote innovation in the renewable sector

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- Projects were chosen by lottery
- Innovation is better fostered by the Clean Energy Development Fund which chooses worthy projects based in part on their ability to move the market.

Goal - Capitalize on the benefits of distributed generation

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- Nothing in the program design would cause a generator to locate in an advantageous position on the Vermont grid.

Goal - Reduce GHG Emissions

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- RGGI effect – cap and trade system sets GHG emissions credits to be issued annually
- Non emitting resources will lower costs of compliance and make it more likely that cap will be lowered
- Sale of RECs under SPEED
 - Vt pays 30 cents for FiT power, sells RECs for 2.5 cents and ends up with system residual power for 27.5 cents.
 - Purchase by Massachusetts of Vt RECS means lower demand for other renewables and an alternate project does not get built.

Goal – Achieve lower costs and stable costs for ratepayers



- Takes many years for FiT costs to break even
- Efficiency resource throttled back to mitigate rate issues such as those caused by FiT.

Conclusion

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- **Program that:**
 - Doesn't create any additional renewable energy
 - Doesn't create any incremental jobs
 - Costs more than it has to
 - Fails to promote those objectives which could create some value for ratepayers

What to do?

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- Look for ways to create value for ratepayers by lowering costs or increasing benefits
 - Innovate in the financial sector = property tax financing
 - Leverage CEDF funds to innovate
- Allow, in fact promote utility ownership of systems