

March 28, 2023

The Honorable Joseph J. Solomon, Jr.
Chairman, House Corporations Committee
Rhode Island State House
Providence, Rhode Island 02908

RE: H-5491 & H-5853 – Relating to Public Utilities & Carriers – Net Metering

Dear Chairman Solomon:

On behalf of Rhode Island Energy (RIE), I write in opposition to H-5491 and H-5853, both of which would significantly expand the state's costliest renewable energy program and lead to rate increases for electric customers subsidizing these investments, including local families, small businesses, and income-eligible customers.

Of particular concern are proposed amendments that would extend eligibility for virtual net metering (VNM) to commercial and industrial (C&I) customers without any meaningful reform of underlying compensation rates. **While our company is generally supportive of policies that support the sustainable siting of renewables and grow green jobs, Rhode Island can accomplish these goals in a more cost-efficient manner than proposed here, while still expanding opportunities for renewable growth.** This is particularly important as customers increasingly look to the electric system to meet their heating and transportation demands.

To be clear, Rhode Island Energy supports the state's efforts to expand clean energy resources and reduce harmful greenhouse gas emissions (GHGs), including the goals laid out in the Act on Climate. For Rhode Island to be successful in these efforts – both in the near term and over the long run – it is critical that energy affordability remain a top priority for clean energy policy development. With this in mind, Rhode Island Energy offers the following comments:

- **Expansion of the state's net metering program without significant reform to address rapidly escalating program costs is unsustainable for local ratepayers.** While supporting local renewable growth is important to the state's energy, economic, and environmental policy goals, to do so at *any* cost does not set Rhode Island up for success and results in disproportionate subsidization by all other electric customers.
- Today's net metering construct results in **significant cost shifts to non-adopters, including our most vulnerable populations.** By crediting net metering customers the full retail rate, including distribution and transmission, this policy is creating a shrinking pool of ratepayers that must bear system costs for critical investments necessary for the safe and reliable delivery of energy that *all* Rhode Island homes and businesses depend upon.
- **Net metering develops publicly subsidized renewables without the benefit of market competition and at rates disconnected from important industry drivers,** such as the availability of incentives and tax credits. Other renewable energy programs, including Renewable Energy Growth (REG) and long-term renewable contracting, adjust to the



changing energy market landscape over time and leverage market competition to temper subsidization backstopped by local ratepayers.

- Even without expansion, **net metering costs are already escalating rapidly**, and public policy costs are an increasing component of local energy bills. In the five-year period between 2017 and 2021, net metering costs grew exponentially – from \$3.9 million to \$47.8 million. When looking at public policy drivers overall, a “typical” residential electric customer (500 kWh) will pay approximately \$15.74 per month in policy costs effective April 1st, accounting for 12% of their total bill. On an annualized basis for all of Rhode Island, this equates to an estimated \$180 million.
- The Rhode Island Office of Energy Resources (OER) has underway important analysis, inclusive of stakeholder input, that will help inform future pathways for distributed generation growth, being mindful of both cost and achievement of state policy goals. **We urge the Committee to leverage this and other analyses to inform meaningful, data-driven reform to net metering and/or the Renewable Energy Growth (REG) program, while still supporting sustainable siting and green job growth.**

Rhode Island’s net metering construct was established in 2011, when the state’s renewable market and clean energy policy framework was still nascent. Since then, renewable energy markets and technologies have evolved, and other programs, such as Renewable Energy Growth (REG), have emerged. We are also at a point in time when consumers are facing notable energy supply price volatility; important investments are required to enable safe and reliable system operations in an increasingly dynamic grid; and public policy costs are accounting for an increasing share of the utility bill. Our net metering policy must evolve to continue supporting local renewable development and achievement of important public policy goals at the lowest reasonable cost to those who ultimately subsidize this program.

Today, net metering remains largely as it did over a decade ago as a program untethered from the benefits of market-competition. It fails to account for the availability of tax credits and other incentives made available to developers over time and, therefore, does not pass the benefit of those public subsidies along to captured ratepayers. The potential benefits of ratepayer-subsidized value streams, such as Renewable Energy Credits (RECs) and/or capacity, do not accrue to those who pay for the program, and there exists no limits on how long a net metering system is subsidized after construction.

If net metering is to be expanded, **Rhode Island Energy urges the Committee to adopt meaningful, data-driven reform to protect ratepayers and reduce net consumer costs.** Importantly, the Rhode Island Office of Energy Resources (OER) has begun a public stakeholder process to evaluate Rhode Island’s distributed generation policies.¹ This effort acknowledges that “(t)he energy industry has undergone significant changes since the implementation of net metering, virtual net metering, and Renewable Energy Growth laws.” OER has stated that their goal is “to consider the benefits and costs of maintaining the current DG policy pathways and compare them with potential alternative pathways...evaluate current and alternative policy

¹ For more information on OER’s study, please visit: <https://energy.ri.gov/resources/major-initiatives/evaluation-rhode-island-distributed-generation-policies>.



pathways and provide information about the state laws for possible consideration by policymakers during the 2023 legislative session.” Virtual net metering should not be extended to C&I customers – and ratepayers should not be exposed to higher program costs than necessary – until this data is produced, thoroughly vetted, and, ultimately, integrated into future policy design.

It may also be possible to expand the REG Growth program to account for larger system sizes that might ultimately serve C&I customers in a more cost-efficient manner than can be achieved through net metering. REG has the benefit of integrating market competition and transparent, data-driven rates that are flexible enough to account for evolution in the marketplace, including the availability of incentives and tax credits. It is also a program that receives stakeholder oversight by a ten-member board (Distributed Generation Board) that is responsible for developing and recommending annual program plans. When taken together, **these provisions can help insulate ratepayers from excessive program costs while still promoting renewable energy development at a fair rate of return, and can be leveraged while driving other positive externalities important to the state**, e.g., emissions reductions, job growth, resource diversification, increased investment, and more sustainable siting practices. Rhode Island Energy respectfully urges the Committee to thoroughly explore this alternative pathway.

In closing, Rhode Island Energy appreciates the opportunity to comment on this proposed legislation. Our company acknowledges the need to expand renewable energy and other clean distributed generation assets, but we should do so through the most cost-efficient pathways possible for those Rhode Island families and businesses that ultimately subsidize such investments. We welcome the opportunity to have additional discussions with Committee members and stakeholders to allow for the continued expansion of local renewable generation in a safe, reliable, and affordable manner.

Thank you for your attention to this matter.

Respectfully,

Nicholas S. Ucci
Director of Government Affairs

CC: The Honorable Members of the House Committee on Corporations