RHODE ISLAND

Governor's Budget Amendment 7

House Committee on Finance

May 6, 2026

FY27 Budget Recommendation and Executive Order 26-01

In February, the Governor signed an executive order initiating a targeted refinement of the virtual net metering (VNM) proposal:

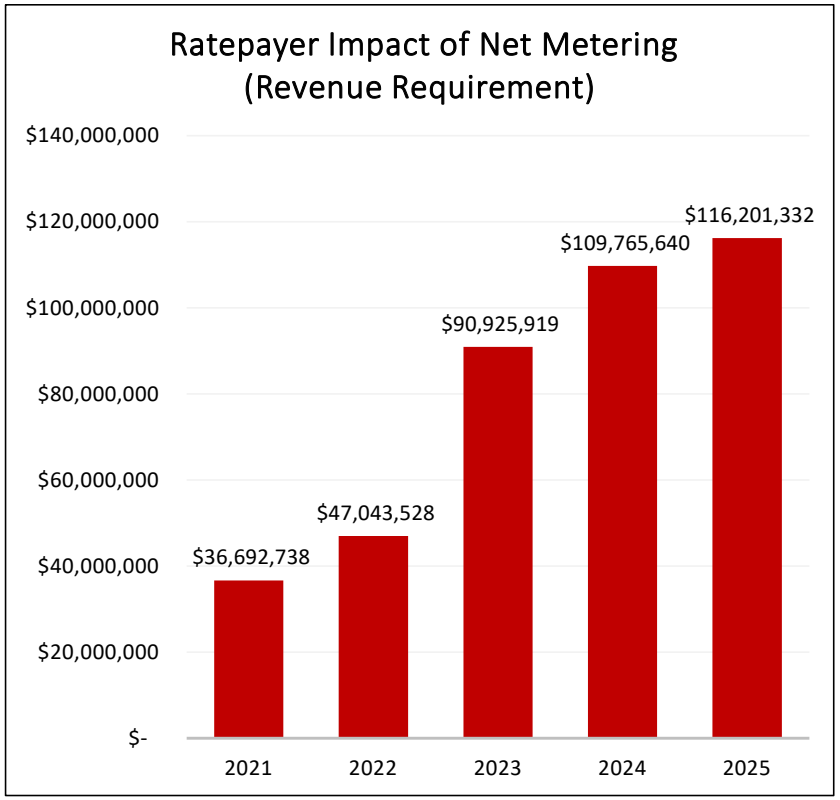
- The Administration engaged with solar developers, labor representatives, and other external stakeholders and submitted Governor's Budget Amendment (GBA) 7 on April 30.
- The core objective of the Executive Order was to advance a balanced proposal that reduces costs for ratepayers by establishing a more cost-effective solar incentive framework, while protecting currently operating projects and host customers, including universities, hospitals, and municipalities.
- GBA 7 does not include an access fee or a freeze on the current compensation rate structure.
- GBA 7 incorporates best practices from states that have transitioned away from retail-rate net metering toward more cost-effective program structures.
- GBA 7 achieves the goals of Executive Order 26-01 by:
  - **Safeguarding operating VNM systems**;
  - Offering a **voluntary rate outside of the C-06 with a fixed escalator**, and;
  - Phasing out the current program for large solar projects by lowering the capacity cap and transitioning future development to the **more cost-effective** Renewable Energy Growth Program.

What is Virtual Net Metering (VNM)?

VNM is a statutory compensation mechanism that allocates bill credits from an eligible off-site renewable energy system to designated customer accounts at the full retail rate:

- A renewable energy system is installed at a different location from where the electricity is used, rather than on the customer's property.
    - The Governor's proposal makes no changes to behind-the-meter net metering (i.e., residential).
- The solar system's electricity is sent entirely (if not serving any on-site energy demand) to the grid, without reducing total system/customer load.
- Multiple off-site customers (rather than a single on-site customer) receive bill credits allocated from the project, receiving credits on their own account. These customers include state and local governments, hospitals, universities, etc.
- VNM compensation is set at the full retail rate, a value that exceeds the levelized cost of the resource (including a reasonable return).

VNM: Escalating Ratepayer Costs and Need for Reform



PUC Docket 25-37-EE, DIV 3-3

- Solar provides important benefits to ratepayers and society at large.
- However, to meet key state policy goals surrounding both clean energy development and affordability, Rhode Island needs to reduce the cost of those benefits by limiting the growth of electric rates.
- By transitioning to a more cost-effective program while avoiding disruption to operating projects, Rhode Island can make this key shift.
- A 2023 benefit-cost analysis by Sustainable Energy Advantage found that Rhode Island's current Virtual Net Metering program delivers $0.60 in benefits for every $1.00 ratepayers spend, even under the RI Test, which accounts for broader economic development and social benefits beyond direct energy value.
    - Under the narrower Ratepayer Impact Measure, which focuses specifically on impacts to utility bills, the program returns just $0.15 in benefits for every $1.00 spent.

GBA 7: An Optional Rate With A Fixed Escalator

Under the revised VNM proposal, projects will be able to choose between the current VNM compensation structure and a fixed escalator rate

Election of Fixed Escalator Rates:

- Election of rates is **entirely voluntary** for both operating/non-operating projects
- VNM projects (both operating and not) may opt in within 60 days of receiving their Authorization to Interconnect, or 90 days following PUC approval of the tariff, whichever date is later, or they will be assumed to remain on the C-06 rate
- Fixed escalator tariff mirrors the existing certificate of eligibility process under the Renewable Energy Growth (REG) program, ensuring revenue certainty and financing reliability.

Compensation Structure:

- **Fixed-Rates Elected:** Starts at $0.19/kWh in 2027, increasing 2.75% annually
  - Project starting value may differ based on COD (e.g., a project reaching COD in 2030 would receive $0.20611/kWh for first year) ➔ same rate will apply to all projects in a given calendar year, regardless of COD/Opt-in date
- **Fixed-Rates Not Elected:** Unchanged from current law, with potential for future C-06 rate restructure impacting project revenue

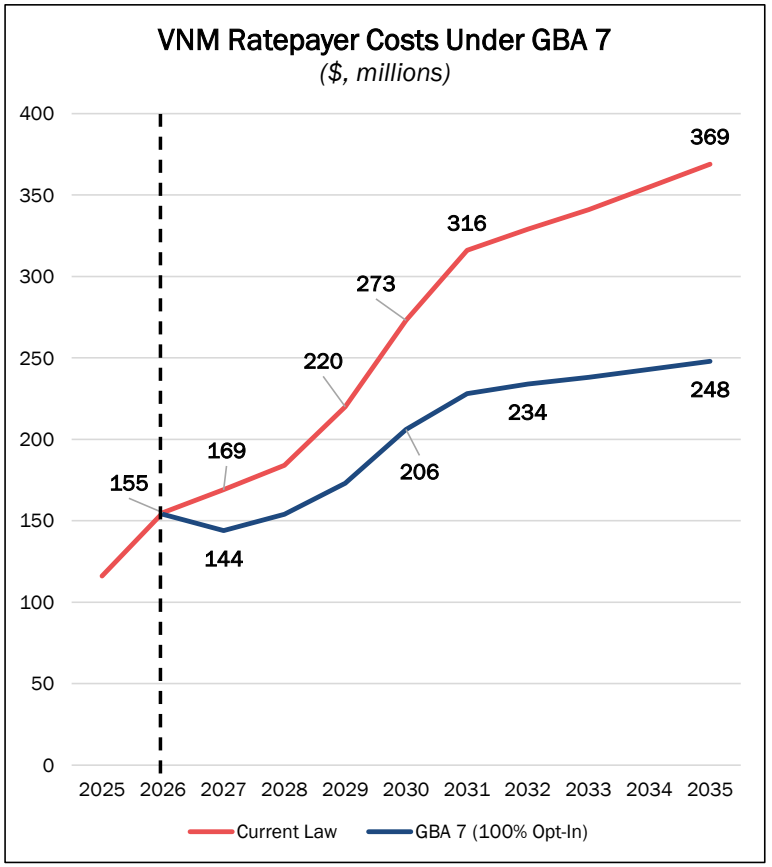
GBA 7: Program Capacity and Controlling Costs

Program Capacity:

- Revise cap on future ground-mounted VNM projects from 275 MW ➔ 125 MW
- All projects in the interconnection queue currently holding space under VNM cap will retain eligibility for VNM in its current form, with the option to opt-in to fixed escalator rates
- Approach in line with neighboring states with respect to grandfathering existing projects during a transition to a successor policy

Projected Savings:

- Up to **$258 million** in projected ratepayer savings
- Based on industry feedback in the stakeholder process, the State assumes an opt-in in rate to the fixed payment structure up to 50% or more of the eligible VNM capacity.



Analysis provided by Sustainable Energy Advantage, LLC

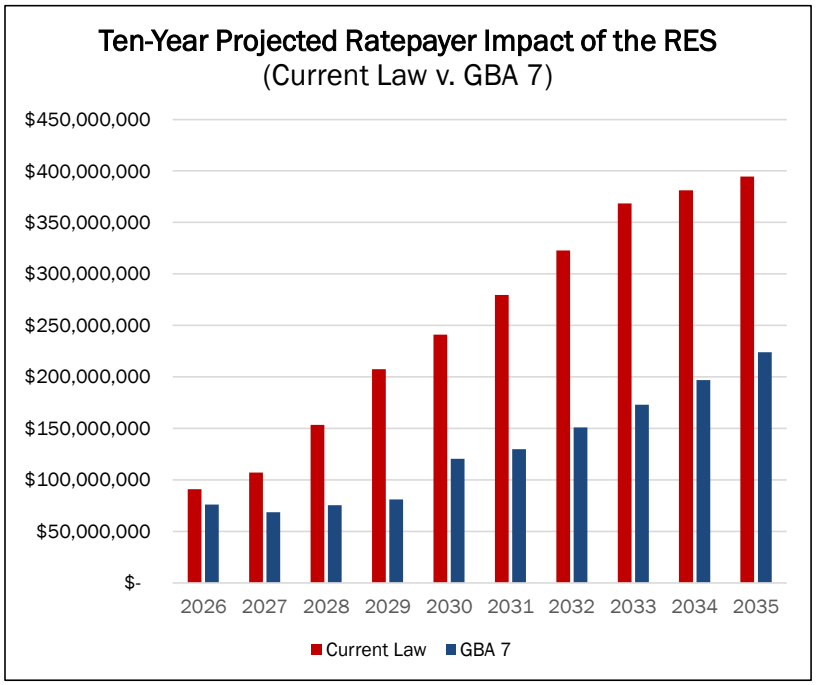
Best Practices from Neighboring States

GBA 7 follows a common approach among states who previously enacted full retailed rate net metering by grandfathering existing projects while closing the program and transitioning to a more cost-effective solar incentive program:

State	Initial Reform Year	Phasing Out Traditional VNM	Creating Cost-Effective Successor	2025 Rate for Large Solar Systems
Connecticut	2021	Ended legacy net metering program in 2021. Preserved treatment of existing systems for up to 20 years from in-service date.	Created the Non-Residential Renewable Energy Solutions (NRES) program for non-residential customers in 2022.	The price ceiling for large NRES systems (1 MW to 5 MW) is set at **14.6 cents** per kWh, fixed over a 20-year term.
Massachusetts	2016/2018	Reduced compensation for large, off-site projects in 2016 by introducing lower "market net metering credit" (60% of previous credit). Existing projects were grandfathered under prior compensation structures.	Launched the Solar Massachusetts Renewable Target (SMART) program in 2018, transitioning new large-scale and community solar projects to a tariff-based incentive model. Under SMART, projects receive a fixed, declining-block incentive layered with reduced net metering credits.	The base SMART rate for large systems (1 MW to 5 MW) is approximately **17.3 cents** per kWh (before adjustments), fixed over a long-term contract (typically 20 years).

Reforming the Renewable Energy Standard (RES)

The proposal establishes a more affordable path to decarbonization by aligning the RES compliance schedule with the Act on Climate's 2050 target and leveraging lower-cost clean resources:

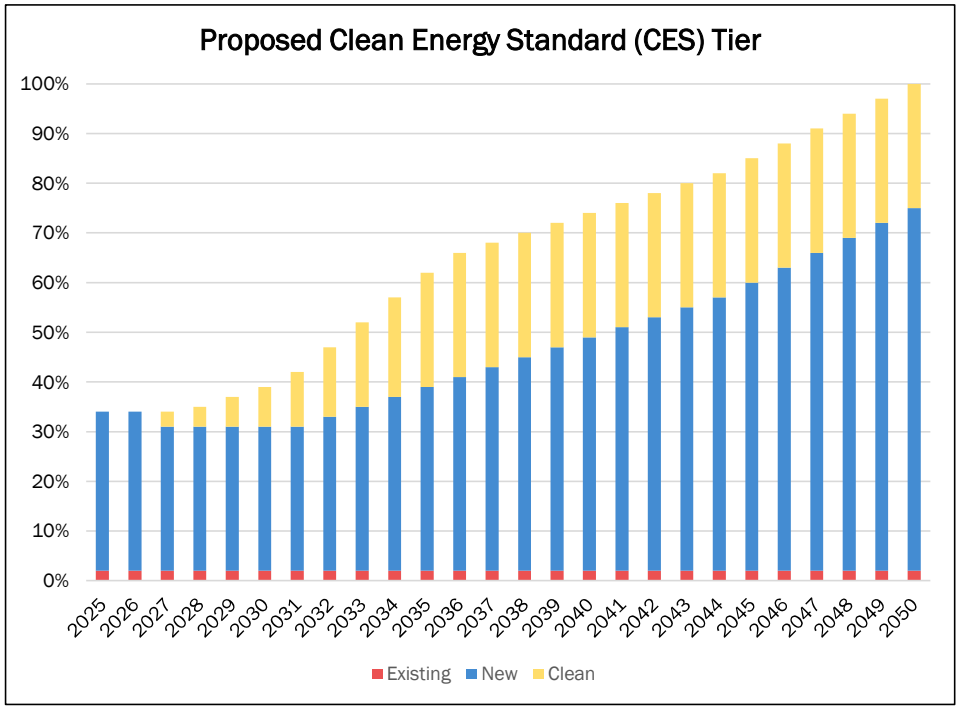


Analysis provided by Sustainable Energy Advantage, LLC

- RES is a state procurement mandate that requires electric suppliers to purchase renewable energy certificates (RECs) to offset electricity from higher-emission generation sources.
- Taken together, Rhode Island's statutory compliance schedule and its narrow eligibility criteria make its RES law the most aggressive of any state in the country.
- Under current law, projected five-year ratepayer costs total $988 million; the Governor's proposal reduces this burden by $513 million (a 52% reduction).
- If no action is taken, **the RES charge on ratepayers' bills would triple by 2031 and quadruple by 2033.**

GBA 7: Clean Energy Standard (CES) Tier

The proposal expands eligible resources to lower costs for ratepayers, while still achieving a 100% zero-emission power sector by 2050 and remaining more aggressive than our neighbors in the use of new resources:



State	New Renewables	Existing + Clean	Timeframe for 'New'
Rhode Island (Current Law)	98%	2%	Post 12/1997
Rhode Island (Governor's Proposal)	75%	25%	Post 12/1997
Maine	60%	40%	Post 9/2025
Massachusetts	70%	~38%	Post 12/1997
Vermont	40%	60%	Post 12/2009
Connecticut	29%	8%	None
New Hampshire	15%	10.2%	Post 12/2005

Sustainable Energy Advantage, LLC

Citations and Resources:

Revised Virtual Net Metering Budget Article Information

SEA Analysis of Virtual Net Metering Proposals – Forecasted Ratepayer Cost and Savings Results PPT - April 29th.pdf

Final FY27 VNM Budget Article Proposal Q&A - April 29th.pdf

Sustainable Energy Advantage - VNM Cost Modeling Inputs Data Spreadsheet April 27th.xlsx

This workbook provides the key inputs used by SEA when evaluating the ratepayer savings of various VNM alternatives. The workbook contains both the SEA C-06 forecast used to inform modeling results, in addition to the updated forecast (a blend of SEA's forecast and a third-party forecast provided by VNM renewable developers) used to inform SEA modeling results.

Renewable Energy Standard Budget Article Information

Sustainable Energy Advantage - Renewable Energy Standard Ratepayer Cost Analysis and Background Information -- January 2026.pdf

Virtual Net Metering and Renewable Energy Growth Program Sustainable Energy Advantage Analysis and Information

Evaluation of Rhode Island Distributed Generation Policies Stakeholder Workshop #5

PUC Docket Filings Information on Virtual Net Metering

2026 Annual Retail Rate Filing

Docket No. 25-37-EE – Responses to Division Data Requests – Set 3