

Recent Events in Vermont and Region



NARUC Energy Regulatory Partnership Program

*The Energy Regulatory Commission of the Republic of Macedonia
and*

The Vermont Public Service Board

by

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Vermont Public Service Board

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Recent Resource Changes

- ❖ Generation
- ❖ Transmission
- ❖ Energy Efficiency



Generation Changes

- ❖ Vermont Yankee Nuclear Power Plant
 - Board approved dry cask storage at the plant for spent nuclear fuel
 - Board authorized increase in power output resulting from “uprate”
 - Board directed Entergy to put in place ratepayer protections in case the steam dryer failed as a result of the uprate



Generation Changes (cont.)

- ❖ East Haven Wind project
 - Board did not approve the 6 MW project because developer did not present sufficient evidence regarding wildlife impacts
- ❖ UPC Wind project
 - 52 MW project currently pending before the Board
- ❖ “Cow Power” projects
 - Several anaerobic digester projects on farms are currently pending before the Board



Transmission Changes

- ❖ VELCO Northwest Reliability Project
 - Board approved largest transmission project to be proposed in Vermont in 30 years, includes new transmission lines and upgrades to substations
 - Many compliance filings required regarding siting details
- ❖ Stowe-Duxbury Transmission Line
 - Board approved new 10-mile transmission line
 - Many compliance filings required regarding siting details



Energy Efficiency Changes

❖ Energy Efficiency Utility

- Board received two bids
- Board negotiated new 3-year performance-based contract with winning bidder
- Energy savings goals are significantly higher than in previous 3-year contract
- Contract will be modified soon to reflect increase in EEU budget as a result of legislative changes



New Legislation

❖ State Legislation

- 2005: Act 61 – renewables, interconnection, transmission planning, alternative regulation, energy efficiency
- 2006: Act 208 – energy efficiency, electric affordability, net metering

❖ Federal Legislation

- Energy Policy Act of 2005 (“EPAct 2005”) – state consideration of five “standards,” transmission corridors, other items



Act 61: Renewables - SPEED Program

❖ Program goals

- Meet all Vermont load growth from 2005 through 2012 with renewable energy resources
- Encourage the development of cost-effective renewable energy projects within the state of Vermont

❖ Legislative provisions

- Establishes renewable portfolio standard that takes effect in 2013
- Opt-out provision: renewable portfolio standard will not take effect if all of Vermont's load growth is met by renewable resources (or energy efficiency)
- Assigns Board the responsibility to develop a program to meet the goals



Act 61: Renewables - SPEED Program

- ❖ Board issued Final Rules in August
- ❖ Primary focus of Rules is appointment of SPEED Facilitator with the following duties:
 - Serve as an information clearinghouse for utilities and developers, with the goal of facilitating power purchase arrangements and construction of new renewables
 - If necessary, purchase power directly from new renewable resources and sell that power to all Vermont utilities
 - Power must be priced below the anticipated long-run market price for power.



Act 61: Interconnection Standards

- ❖ New standards apply to all interconnections that are not subject to the Board's net metering rule, and that are not subject to federal jurisdiction
- ❖ Purpose is to provide a predictable and streamlined process, when appropriate
 - Impact studies do not need to be performed for smaller projects which satisfy all of the "Fast Track" screening criteria
 - Projects that do not satisfy all of the Fast-Track criteria may require any or all of the following studies: Feasibility Study, System Impact Study, and Facilities Study.



Act 61: Transmission Planning

- ❖ Legislation requires transmission utility to prepare a Long-Range Transmission Plan
 - First Plan completed in July 2006
- ❖ Board is investigating integrated resource planning for transmission utilities (Docket 7081)
 - Board is considering partial settlement



Act 61: Alternative Regulation

- ❖ Legislation allows Board to initiate investigation into alternative regulation for electric utilities
- ❖ Second-largest electric utility proposed an alternative regulation plan
 - Pending before the Board in Docket 7176



Acts 61 and 208: Energy Efficiency

- ❖ Legislation removed cap on Energy Efficiency Utility budget
 - Board has increased the annual budget from previous statutory cap of \$17.5 million; new annual budgets ramp up to \$30.75 million in 2008
- ❖ Board is in the process of implementing other legislative provisions
 - Board may “target” the EEU’s activities to defer or avoid transmission and distribution system upgrades
 - Board may expand the EEU’s activities to include Combined Heat and Power services
 - Board must establish a mechanism to exempt customers who install a lot of energy efficiency measures on their own from paying the Energy Efficiency Charge



Act 208: Electric Affordability

- ❖ Board must submit draft legislation in January 2007 establishing a low income assistance program for electric bills
 - Program must provide assistance in paying electric bills to people whose income is at or below 150% of poverty, use automatic enrollment mechanisms, and be funded equitably by all customer classes
 - Program must be designed with the aid of a collaborative, which is meeting now
 - The collaborative includes more than 30 low income advocacy groups, business organizations, utilities and state agencies
- ❖ Department of Public Service must conduct a study to identify all assistance programs available to low income Vermonters and how that assistance compares to that of other states.



Act 208: Net Metering

- ❖ Based on the guidance provided in Act 208 the Board is currently considering expanding the net metering program to include:
 - Group net metering systems for non-farm systems
 - Providing compensation for net excess generation produced by systems
 - The sale of renewable energy credits from net metering systems
 - Allowing net metering systems to be considered SPEED resources



EPA Act 2005 – State Standards

- ❖ Five standards to be considered by state regulatory commissions
 - Net Metering
 - Fuel Diversity
 - Efficiency of Fossil-Fuel Generation
 - Smart Metering and Time-Based Rates
 - Distributed Generation Interconnection Standards



EPAAct 2005 – Other Provisions

- ❖ National Interest Electric Transmission Corridors (“NIETC”)
 - If the federal government designates an area as an NIETC, the federal government has “backstop” transmission line siting authority under certain conditions
- ❖ Merger reform
- ❖ Change in responsibility for regulating public utility holding companies



Recent Activities in the Region

- ❖ New Forward Capacity Market
- ❖ Regional Greenhouse Gas Initiative



Forward Capacity Market

- ❖ Litigation before federal regulators about the design of a regional capacity market led to a settlement which has been approved
 - The settlement replaces the former proposed “LICAP” market with a Forward Capacity Market
- ❖ Major components of new Forward Capacity Market
 - Capacity Market Structure
 - ◆ Forward Capacity Market secures resources three years in advance of need through competitive auction process
 - Forward Capacity Auction
 - ◆ Bids from both Qualified Existing and New capacity resources
 - ◆ Demand side resources are eligible to bid
 - Reconfiguration Auctions
 - ◆ To buy and sell (exchange) capacity obligations
 - Performance Incentives
 - ◆ Payment and penalties for performance during shortage events
 - ◆ Ensures a high degree of availability when needed
 - Financial Assurance
 - ◆ Deposits required for new offers; increases if bid is accepted
 - Transition payments for next three years



Regional Greenhouse Gas Initiative (“RGGI”)

- ❖ RGGI is a cooperative effort by seven Northeast and Mid-Atlantic states to develop the nation’s first regional cap-and-trade program that uses emissions credits or allowances to reduce carbon dioxide emissions from the electric generating sector
 - Includes Vermont, New York, New Jersey, Connecticut, Maine, New Hampshire, and Delaware
- ❖ Beginning in 2009, emissions of CO₂ from power plants in the region will be capped at current levels – approximately 121 million tons annually – with this cap remaining in place until 2015
- ❖ The states would then begin reducing emissions incrementally over a four-year period to achieve a 10 percent reduction by 2019