

RHODE ISLAND RENEWABLE ENERGY STANDARD SUMMARY

A. SUMMARY: Rhode Island's renewable energy standard (RES) begins in 2007 with 3 percent of total retail sales to be derived from renewable energy, reaching 16 percent by 2019 and after. Of that 16 percent, 14 percent must come from new (post 1/1/98) sources. Purchasing and trading of renewable generation certificates is available through the New England Generation Information System (NE-GIS) run by NEPOOL. Suppliers may also fulfill their obligation by making alternative compliance payments to a Renewable Energy Development Fund, which will then support new renewable energy development.

B. AUTHORIZING LEGISLATION/REGULATION

1. Part of Broader Energy Package? No

2. Legislative/Regulatory Intent: “It is in the interest of the people, in order to protect public health and the environment and to promote the general welfare, to establish a renewable energy standard program to increase levels of electric energy supplied in the state from renewable resources. More specifically, Rhode Island’s RES has the goals of (i) diversifying the energy sources supplying electricity consumed in the state, (ii) stabilizing long-term energy prices, (iii) enhancing environmental quality, including the reduction of air pollutants, carbon dioxide emissions, that adversely affect public health and contribute to global warming; and (iv) creating jobs in Rhode Island in the renewable energy sector.”

3. Applicable Legislation/Regulation:

7/04 – [House Bill No. 7375](#)

H 7375 codified as [RI Gen. Laws § 39-26-1 et seq.](#)

4. Date Enacted: June 29, 2004

5. Date Effective: June 29, 2004

C. RULEMAKING

1. Implementing/rulemaking Authority: Two state entities share responsibility for administering the program, the Rhode Island Public Utilities Commission and the Rhode Island Economic Development Corporation. The PUC is responsible for developing and implementing regulations, as well as the administration and enforcement of the renewable energy standard. The EDC is responsible for administering the renewable energy development fund. In addition, the State Energy Office, as administrator of the SBC fund, is required to work with the PUC and EDC

to maximize the combined impact and efficiency of the SBC and the renewable energy standard.

2. Rulemaking Completed to Date:

9/2005 – PUC issues [Proposed Draft RES Implementation Rules](#)

11/2005 – PUC adopts order ([Docket # 3659](#)) implementing final RES implementation rules

12/2005 – PUC issues final report ([Order No. 18485](#)) on comments received on proposed RES rules in December 2005

D. TARGETS AND TIMETABLES

1. Brief Overview: Rhode Island's renewable energy standard begins in 2007 with 3 percent of retail sales of each electrical energy product offered to end users from renewables, and escalates to 16 percent by 2019 and thereafter.

2. Schedule:

Compliance Year	Total Target Percentage	Percentage from New Renewable Energy Resources	Percentage from <i>either New or Existing Renewable Energy Resources</i>
2007	3.0 %	1.0 %	2.0 %
2008	3.5 %	1.5 %	2.0 %
2009	4.0 %	2.0 %	2.0 %
2010	4.5 %	2.5 %	2.0 %
2011 ^[1]	5.5 %	3.5 %	2.0 %
2012 ^[1]	6.5 %	4.5 %	2.0 %
2013 ^[1]	7.5 %	5.5 %	2.0 %
2014 ^[1]	8.5 %	6.5 %	2.0 %
2015 ^[1]	10.0 %	8.0 %	2.0 %
2016 ^[1]	11.5 %	9.5 %	2.0 %
2017 ^[1]	13.0 %	11.0 %	2.0 %
2018 ^[1]	14.5 %	12.5 %	2.0 %
2019 ^[1]	16.0 %	14.0 %	2.0 %
2020 and thereafter ^[2]	16.0 %	14.0 %	2.0 %

[1] Increases in 2011 and thereafter subject to commission determination

[2] Duration of continuation subject to commission determination

3. Treatment of Existing Capacity: Renewable generation units that entered service before December 31, 1997 may not account for more than 2 percent of total retail electricity sales. Incremental output increases of more than 10 percent since 1997 are eligible to count towards minimum renewable percentages. However, increased

hydropower capacity may not involve any new impoundment or diversion of fresh water (less than twenty parts per thousand salinity).

4. Sunset Clause: None.

E. DEFINITION OF ELIGIBLE RESOURCES AND TECHNOLOGIES

1. Eligible Resources

- Direct Solar Radiation
- Wind
- Ocean thermal, tides, or waves.
- Geothermal
- Small hydro facility, means “a facility employing one or more hydroelectric turbine generators and with an aggregate capacity not exceeding 30 megawatts. For purposes of this definition, “facility” shall be defined in a manner consistent with Title 18 of the Code of Federal Regulations Section 292.204(a)(2)(i) and (ii) as of the date of enactment of the Renewable Energy Act (6/29/04); provided, however, that the size of the facility is limited to no greater than thirty (30) megawatts, rather than 80 megawatts. For a Small Hydro Facility to be eligible as a new renewable energy resource it must in no case involve any new impoundment or diversion of water with an average salinity of 20 parts per thousand or less.”
- Biomass facilities using eligible biomass fuels and maintaining compliance with current air permits. Eligible biomass fuels means fuel sources including
 - Brush, stumps, lumber ends and trimmings, wood pallets, bark, wood chips, shavings, slash, yard trimmings, site clearing waste, wood packaging, and other clean wood that is not mixed with other unsorted solid wastes
 - Agricultural wastes
 - Food and vegetative material
 - Energy crops
 - Landfill methane
 - Biogas, provided that such gas is collected and conveyed directly to the generation unit without use of facilities used as common carriers of natural gas
 - Neat bio-diesel and other neat liquid fuels that are derived from such fuel sources
- Fuel cells using the renewable sources defined above

Note: Eligible biomass fuels may be co-fired with fossil fuels, provided that only the renewable energy fraction of production from multi-fuel facilities shall be considered eligible.

2. Special Incentives/Exclusions: Waste-to-energy combustion of any kind is explicitly excluded.

3. **Treatment of Self Generation:** Procurement of NE-GIS certificates from off-grid and customer-sited generation facilities certified by the Commission as Eligible Renewable Energy Resources may also be used to demonstrate compliance, provided that the facilities are physically located in Rhode Island.
4. **Rules governing Location of Generating Facilities:** Because eligible renewable resources must have certificates issued by the NE-GIS, electricity must be deliverable into the NEPOOL region for consumption by New England customers to be eligible. [8] Procurement of NE-GIS certificates from off-grid and customer-sited generation facilities, if located in Rhode Island and verified by the commission as eligible renewable energy resources, may also be used to demonstrate compliance.
5. **Eligibility of Green Pricing Programs:** The renewable energy percentages shall be met for each electrical energy product offered to end-use customers, in a manner that ensures that the amount of renewable energy of end-use customers voluntarily purchasing renewable energy is not counted toward meeting such percentages. Projects supported by the Rhode Island SBC can be used to meet the standards.

F. COVERED UTILITIES

1. **Classes of Retailers Covered :** Regulations apply to all retail suppliers, including non-regulated suppliers, except Block Island Power Company and the Pascoag Utility District.
2. **Share of State Sales/Capacity/Delivered Power Covered:** Approximately 99 percent of total state electric sales are covered by the RES.
3. **Apportionment of obligation among utilities:** Obligations are apportioned among the eligible utilities on the basis of their respective market shares.
4. **Exemption by Customer Class:** NA

G. COST PROVISIONS

1. **Cost Cap for Retailers:** The alternative compliance payment serves as a de facto cap. [See below.]
2. **Cost Cap for Consumers:** NA
3. **Cost Recovery Mechanisms:** Subject to review by the Commission, Obligated Distribution Companies are entitled by R.I. Gen. Laws Sec. 39-26-6(4)(b), to recovery of all prudent incremental costs arising from the implementation of these regulations and its approval of a Renewable Energy Procurement Plan, including, without limitation, the purchases of NEPOOL GIS Certificates from Eligible Renewable Energy Resources, the payment of Alternative Compliance Payments, and required

payments to support the NEPOOL GIS; except for those costs arising from sanctions for non-compliance.

- 4. Supply Contract Requirements:** Contracts for REC transactions by obligated entities to meet the RES shall contain provisions and terms to address the features and risks that are unique to the purchase of eligible renewable energy resources. Such terms may include the following: (i.) definitions particular to renewable energy certificate transactions; (ii.) specialized financial instruments and warranties thereof; (iii.) purchase and sale of renewable energy certificates; (iv.) quantities; (v.) representations and warranties of the parties; (vi.) obligations of the parties; (vii.) relationship of the parties; (viii.) non-performance and remedies; (ix.) default; (x.) term, termination and waiver; (xi.) binding milestones, if any; (xii.) credit and collateral, if any; and (xiii.) additional agreements conforming to the nature of the transaction.

In addition, the PUC requires each obligated entity to submit an annual renewable energy procurement plan that must include “long-term contracts which shall be made a part of the obligated distribution company’s portfolio for procuring its target percentage of eligible renewable energy resources for each electrical energy product offered to end-use customers.” The regulations do not provide a specific definition for long-term contract.

- 5. Special Funds:** The state levies a system benefits charge (SBC) dedicated to supporting renewable energy, administered by the state energy office. In addition, a Renewable Energy Development Fund (REDF), administered by the Economic Development Corporation (EDC), accepts RES alternative compliance payments fees and uses them to stimulate investment in renewable energy, issue assurances and/or guarantees to support the acquisition of renewable energy certificates and/or the development of new renewable energy sources for Rhode Island, establish escrows, reserves, and/or acquire insurance for the obligations of the fund. The state energy office is directed to collaborate with the EDC in maximizing the combined impact and efficiency of the SBC and the REDF.

H. COMPLIANCE AND ENFORCEMENT

- 1. Certification, tracking, and trading mechanism[s]:** Eligible renewable resources must have certificates issued by the New England Generation Information System (NE-GIS)[7]. Therefore electricity must be deliverable into the NEPOOL region to be eligible. [8] Renewable generation certificates are traded through a market-priced, bid-based power exchange system, the New England Power Pool’s (NEPOOL) Generation Information System. See <http://www.nepoolgis.com> for more information.

With the exception of contracts for generation supply entered into prior to 2002, initial title to NE-GIS certificates from off-grid and customer-sited generation facilities and from all other eligible renewable energy resources shall accrue to the owner of such a generation facility, unless such title has been explicitly deemed transferred pursuant to contract or regulatory order.

The PUC defines a generation attribute as “the non-price characteristics of the electrical energy output of a generation unit including, but not limited to, the unit’s location, fuel type, actual emissions, vintage and policy eligibility.”

HB 7375 also establishes energy source disclosure requirements for Rhode Island utilities.

2. Flexibility Mechanisms:

a. Banked Compliance: The PUC will establish mechanisms allowing electric suppliers to bank excess compliance RECs for 2 years, up to 30 percent of the current year's obligation. Generation from compliance year 2006 may be banked for use in 2007, the first year of obligation.

b. Alternative Compliance Permits: Suppliers may pay an alternative compliance fee of \$50 per MWh of renewable generation shortfall in 2003 dollars, adjusted annually up or down by the consumer price index, which may be made in lieu of standard means of compliance with this statute. A Renewable Energy Development Fund (REDF), administered by the Economic Development Corporation, will accept the alternative compliance fees and administer them to support renewable energy development.

3. Penalties, Procedures, Powers, and Sanctions: Obligated entities that fail to comply with PUC RES regulations will first receive a warning letter with a stated date of compliance. If such obligated entity then fails to comply by the date indicated in the warning letter its license will be suspended and it will not be allowed to enroll new customers. If problem is still not corrected by the dates in the suspension notice, its license will be revoked. Outstanding payments (e.g., ACPs to the REDF) will include interest.

No sanction or penalty shall relieve or diminish an obligated entity from liability for fulfilling any shortfall in its compliance obligation, provided, however, that no sanction shall be imposed if compliance is achieved through ACPs.

Financial penalties resulting from sanctions from obligated entities shall not be recoverable in rates of electric distribution companies.

There are also penalties and sanctions for generation units that fail to abide by the PUC’s regulations or which are found by the PUC to have reported falsely to the PUC, including suspension or revocation of certification, and payments to the REDF.

4. **Escape Clauses:** In or before 2010 and again in 2014, the PUC must determine the adequacy of renewable resources and can delay the schedule by one year if it decides that renewable energy supplies are inadequate to meet the increase in percentage requirement. The PUC can also recommend an adjusted schedule to the general assembly.

I. ADMINISTRATION

1. **Administering Entities, Duties, Powers, and Contact Information:** The Rhode Island Public Utilities Commission (PUC) is responsible for implementation and enforcement. The Rhode Island Economic Development Corporation (EDC) is responsible for administering the renewable energy development fund.

Rhode Island Public Utilities Commission
89 Jefferson Blvd.
Warwick, RI 02888
Phone: (401) 941-4500
Web site: <http://www.ripuc.org/>

Rhode Island Economic Development Corporation
One West Exchange Street
Providence, Rhode Island 02903
Phone: (401) 222-2601
Web site: <http://www.riedc.com/r/index.html>

2. **Source and amount of Administrative Funding:** There is no explicit funding for PUC administration of the RES. The EDC may use up to 10 percent of the income of the Renewable Energy Development Fund to pay administrative costs.

J. REPORTING REQUIREMENTS

1. **Reporting Requirements for Retailers:** Annual compliance filings are to be made to the commission within one month after NE-GIS reports are available for the fourth quarter of each calendar year.
2. **Reporting Requirements for Administrative Entities:** On or about January 1, 2010 (and again in 2014, at the PUC's discretion) , the PUC will open a docket to determine the adequacy, or potential adequacy, of renewable energy supplies to meet the increase in the percentage requirement of energy from renewable energy resources to go into effect in 2011. Adequacy may be evaluated in terms of actual number of NEPOOL GIS RECs available and/or net cost of NEPOOL GIS RECs. In making such determination of NEPOOL GIS REC availability, the PUC will consider the history of NEPOOL GIS REC availability relative to NEPOOL GIS REC requirements and ACPs for Rhode Island and other New England state requirements. The PUC will also consider future NEPOOL GIS REC availability based on the status of projects under development in the region and other states' future NEPOOL GIS REC requirements, renewable and NEPOOL GIS RECs trends across the region, trends in renewable technology costs, the benefits to Rhode Island and the region, and any such other

information brought to the attention of the PUC during the investigation.

In the event that the PUC determines an inadequacy or potential inadequacy of supplies for scheduled percentage increases, the PUC may delay the implementation of the scheduled percentage increase and all subsequent increases for a period of one year or recommend to the general assembly a revised schedule of percentage increases, if any, to achieve the purposes of this chapter.

3. **Cost Information:** In 2002, the Tellus Institute released a cost analysis, entitled, [“Modeling Analysis: Renewable Portfolio Standards for the Rhode Island GHG Action Plan.”](#) Though the analysis does not precisely reflect H 7375, it does provide an estimate of projected consumer energy bill impacts from an RES. The report is available online at

J. STATUS AND SPECIAL NOTES