

## CLEAN Program Rules Guide

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### Executive Summary

CLEAN (“Clean Local Energy Accessible Now”) Programs are like traditional feed-in tariffs with a focus on locally produced energy and streamlined interconnection procedures. The design of new CLEAN Programs can benefit from the best practices emerging from the experiences of active programs around the world. This document provides recommendations for key design areas to serve as a guide for policy advocates and policy makers. Pricing design is covered in a separate, dedicated document.

The following summarizes the key Clean Coalition recommendations:

- **Eligibility:** Programs require a non-refundable application fee as a meaningful initial barrier to entry, tempered by any fees associated with interconnection requirements.
- **Development security:** Upon award of a power purchase agreement (PPA), a significant development security is required in order to affirm project commitment and prevent “queue squatting”.
- **Interconnection requirements:** Developers are required to obtain an interconnection report prior to applying for the CLEAN Program and then apply for interconnection within 30 days of executing a CLEAN Contract.
- **Site control:** The developer is required to show site control through 1) ownership or a lease or 2) an option to buy or lease the property. All site control requirements are specified at application.
- **Developer viability:** With reasonable development security requirements no additional developer viability criteria are required.
- **Capacity Assignment (Queue Positions):** Program capacity queue positions are awarded based on an initial application period of at least one week, during which applications for that capacity tranche are deemed “same time”. A predefined preference factor, such as interconnection queue position or location, is then used to assign positions. Thereafter, PPAs for remaining capacity are awarded on a first-come, first-served basis.
- **Development timelines:** Projects are required to be online 18 months from the award of a PPA, but with unlimited extensions allowed due to regulatory or interconnection delays outside of the control of the developer.
- **Interconnection Processes:** CLEAN Programs include expedited interconnection procedures if they are not already available.
- **Renewable Energy Credits (RECs):** The power purchaser (typically the utility) owns the RECs associated with the purchased energy.

## **Introduction**

CLEAN (“Clean Local Energy Accessible Now”) Programs are like traditional feed-in tariffs with a focus on locally produced energy and streamlined interconnection procedures. This Guide is intended to inform policymakers and advocates in the United States about how a state can design the most effective CLEAN Program for utilities in its jurisdiction. However, setting the price paid for clean energy is covered separately in the Clean Coalition’s *CLEAN Program Pricing Guide*.

The U.S. pioneered the original feed-in tariff, under the Public Utilities Regulatory Policy Act (PURPA), in 1978. State enactment of the federal PURPA law, particularly in states like California, was responsible for the large majority of U.S. development of renewables prior to 2000. However, the U.S. lost focus and leadership on feed-in tariffs until recently. Now, the nation has seen a surge of interest in CLEAN Programs with successful results at both the municipal and state levels.

Before embarking on the design of a CLEAN Program, policymakers and advocates would be well served in clearly defining and agreeing upon the goals of the program. These goals determine the optimal design decisions for each particular situation. Ideally, the enacting policy spells out prioritized objectives in areas such as: cost, target capacity, location considerations, speed of deployment, etc.

A number of general best practices in CLEAN Program design are emerging based on the typical goals established in U.S. programs. This Guide provides recommendations in each design area as a reference for policy advocates, policy makers, and other interested citizens. The recommendations are intended to be included in state legislation that creates a CLEAN Program or as part of the regulatory implementation of a CLEAN Program.

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## Recommended Designs for New CLEAN Programs

The CLEAN Program design elements are grouped into the following categories:

- 1) Eligibility requirements
- 2) Pricing considerations
- 3) Contracting management
- 4) Other requirements

### 1. Eligibility requirements

CLEAN Programs should focus on providing broad access, particularly to community participation and economic opportunity in the region served by these generating facilities, but with appropriate hurdles to ensure that non-serious actors are discouraged. All CLEAN Programs need to balance accessibility with concerns about the ability of applicants to follow through on their proposed projects.

#### *Application fee*

In general, a moderate, non-refundable application fee is appropriate to deter highly speculative applications or attempts to corner the market on program capacity. Combined with site control requirements, basic engineering plans, and potential interconnection pre-requisites, application fees have proven effective. The amount of the application fee can be adjusted over time, based on experience, serving as a versatile tool to ensure wide access while also appropriately filtering unviable projects. An application fee can be a flat fee per application and/or be scaled according to the size of the project.

Example: LIPA CSI – At program launch in 2012, the program required a flat \$350 application fee for all projects.

Example: CA Re-MAT – *“Applicant must pay a \$2/kilowatt (kW) non-refundable application fee as part of each PPR submission. The PPR fee will not be applicable towards the Collateral Requirement under a Re-MAT PPA. The manner and form of payment will be specified by [Utility] on its website or information technology system.”*

Counter-Example: Hawaii FIT – Requires that all applicants for a CLEAN Contract have submitted an application for a building permit. The Clean Coalition feels that this is too high an eligibility hurdle because it requires considerable expense and time on the part of the developer, to meet this and other program requirements, with no guarantee of obtaining a CLEAN Contract.

#### **Clean Coalition Recommendation:**

CLEAN Programs should charge a non-refundable application fee. For smaller programs with a small range of project sizes, a flat fee is appropriate. For larger size ranges, a fee

scaled to project size will help protect the program queue from manipulation and non-serious projects.

### *Development security*

A development security is also commonly used to weed out non-serious developers. A development security deposit by the developer will guarantee that the project comes online. The security is refunded to the developer once the project achieves commercial operation and the amount refunded can vary based on whether the generation capacity of the project matches the contracted output and whether the project achieved operation by the contracted date. This security can also be termed a “performance deposit”, where the money is returned as the project proves it can perform at the contracted generation amounts.

Some programs convert the development security into ongoing collateral to insure that the project continues to generate the contracted energy over the life of the contract. This requirement ostensibly protects the utility from a developer abandoning the project or forcing an early termination in order to sell the energy on better terms to someone else.

For any such collateral, the PPA specifies the conditions by which the utility draws upon the collateral and eventually returns the unused collateral. Typically, when the collateral is returned, the utility pays simple interest on cash that was held.

Example: Hawaii FIT – *“Upon acceptance of the power purchase contract, a queue reservation deposit of \$30/kW is required.”*

Example: CA Re-MAT – *“On or before the thirtieth (30th) day following the Execution Date, Seller shall post and thereafter maintain a collateral requirement (the “Collateral Requirement”) equal to twenty dollars (\$20.00) for each kilowatt of the Contract Capacity. The Collateral Requirement will be held by Buyer and must be in the form of either a cash deposit or Letter of Credit.”*

Example: Rhode Island DGSC – *“A deposit is required in the amount of fifteen dollars (\$15.00) for a Small Distributed Generation Project or twenty-five dollars (\$25.00) for a Large Distributed Generation Project multiplied by the Projected Annual Energy Output (measured in MWh) for the first Contract Year (“Performance Guarantee Deposit”). The Performance Guarantee Deposit cannot amount to less than five hundred dollars (\$500) or more than seventy-five thousand dollars (\$75,000). The NEC “shall return a portion of the Performance Guarantee Deposit quarterly during the first Contract Year pro rata based on the actual Energy Delivered to Buyer during such quarter compared to the total Projected Annual Energy Output for the first Contract Year. Any Performance Guarantee Deposit remaining at the conclusion of the first Contract Year shall be forfeited to [the NEC].”*

**Clean Coalition Recommendation:**

CLEAN Programs should require a development security significant enough to be meaningful relative to the total investment in the project without being so large as to be a major financial barrier. Programs should not require an ongoing collateral deposit once the project has received commercial operation. Because a developer does not receive money if it doesn't produce, there is little need for additional security once operation has commenced. To mitigate the risk of a developer trying to sell the energy to another buyer, the PPA should include provisions preventing such action.

*Interconnection requirements prior to application*

Interconnection with the electrical grid can be the most critical factor in developing projects for CLEAN Programs. Interconnection can sometimes take months or even years to complete, so it is important to think about potential interconnection requirements/eligibility with respect to the CLEAN application. Some jurisdictions have interconnection eligibility requirements, in order to ensure that a project has a realistic chance of cost-effectively interconnecting to the grid in the required timeframe before it is granted a CLEAN Contract.

There are three commonly used alternatives for application requirements related to interconnection. Developers must either:

- 1) have an interconnection study completed (known variously as “phase 1 study,” “system impact study,” “fast track review,” etc.) prior to applying for a CLEAN Contract, and submit proof thereof;
- 2) have applied for interconnection prior to applying for a CLEAN contract, and submit proof thereof; or
- 3) must apply for interconnection within x days of being awarded a CLEAN Contract.

To ensure that the maximum number of CLEAN Contracts result in completed projects, policymakers may choose to require that interconnection studies have been completed prior to the CLEAN Program application (alternative 1). The downside of this approach is that interconnection applications and studies can be expensive, presenting a “chicken and egg” problem for developers who are not heavily capitalized. If developers must start the interconnection process before applying for the CLEAN Program, they may be forced to pay significant fees or large security deposits before knowing whether they'll get a contract to sell their energy.

Alternative 2 is a little less onerous because it simply requires that an application for interconnection has been submitted, which could be immediately prior to the application for a CLEAN Contract and could thus avoid some of the larger costs associated with interconnection. However, this can present a problem where interconnection process queues can be “clogged” with projects that are waiting to get their PPA.

For states that have implemented a Pre-Application Report (PAR) as part of their interconnection procedures, there can be a variation on Alternative 2. A typical PAR provides information to the project developer on the likely grid and interconnection issues they may face with their proposed project. This is a low-cost way to understand potential interconnection costs without starting a full study process and entering interconnection queues. The CLEAN Program can require that the project obtain such a report before applying.

Alternative 3 is the least onerous requirement because it allows developers to receive a CLEAN Contract before being required to invest in interconnection. The downside of this approach is that some of these projects will be located in areas that entail expensive interconnection costs, resulting in contract failure. However, if there is a requirement that such projects lose their program queue position and contract immediately upon learning of overly high interconnection costs, the capacity of these contracts can relatively quickly be returned to the pool for new applicants.

A possible variation on Alternative 3 is based on making the CLEAN Program application provisional. The application is for a conditional CLEAN Contract reservation pending 1) immediate submission of necessary permit and interconnection requests and 2) execution of a Generation Interconnection Agreement (GIA) [and building permits if necessary] within a defined period. As the contracting agency is typically the same as the interconnecting utility, the utility is well positioned to both monitor and accelerate the interconnection studies, results, agreements, and physical readiness. If the required antecedent applications fail or are withdrawn, the CLEAN Contract reservation will be released to the next applicant in the queue. While some applicants will withdraw, the program may allow excess subscription in anticipation of this to ensure planned capacity is available on schedule.

Example: Vermont SPEED Standard Offer Program – “5. INTERCONNECTION APPLICATION – Producer warrants that its interconnection application (or for projects with capacities of 150 kW or less, Appendix A (Technical Specifications)) with the interconnecting utility is complete, pursuant to the documentation set forth in attachment C hereto. Producer shall pay all required interconnection fees or deposits necessary within the timeframes established by Rule 5.500 in order to remain in the interconnecting utility’s queue. Any requests for extensions within Rule 5.500 must be noticed to the SPEED Facilitator and approved by the Board.

[http://vermontspeed.com/storage/request-for-proposals/StandardOfferContractMarch\\_19\\_2013.pdf](http://vermontspeed.com/storage/request-for-proposals/StandardOfferContractMarch_19_2013.pdf)

Example: Rhode Island DGSC – “Interconnection Progress Prior to Enrollment: The Act requires that the distributed generation facility owner be liable for the cost of interconnection, and sufficient progress in the interconnection process must be made prior to the enrollment. Project owners must have submitted an Interconnection application and have a completed Feasibility study as defined in the Rhode Island Distributed Generation Interconnection Act and The Narragansett Electric Company

*Standards for Connecting Distributed Generation, and must provide copies with this application for enrollment. If the project has a completed Impact study, this would also be acceptable, since it is a more comprehensive study.*

*Information regarding Interconnection of Generators in Rhode Island can be found at the following link:*

*[www.nationalgridus.com/narragansett/business/energyeff/4\\_interconnect.asp](http://www.nationalgridus.com/narragansett/business/energyeff/4_interconnect.asp)*

*Example: CA Re-MAT – “An Applicant must have passed the Fast Track screens, passed Supplemental Review, completed a SCE System Impact Study in the Independent Study Process, or completed a SCE Phase 1 Study in the Cluster Study Process for its Project (Interconnection Study).”*

### **Clean Coalition Recommendation:**

CLEAN Programs should use a combination of the described variations of Alternatives 2 and 3. Where available, the developer is required to obtain a Pre-Application Report (PAR) before applying for the CLEAN Program. If the PAR doesn't exist in the current interconnection policies, it may be beneficial for the enacting CLEAN legislation or regulation to create a PAR requirement.

Then, once the developer has applied for the CLEAN Program, they must submit a full request for interconnection within 30 days. During the interconnection process, if the developer exits the process, their project loses its allocation or queue position in the CLEAN Program. Similarly, the CLEAN Program may require any project that falls out of the CLEAN Program queue to withdraw from the interconnection process.

### *Site control*

Site control refers to the ability of the applicant to develop the proposed project at the designated site if the applicant obtains a CLEAN Contract. Site control should be another application prerequisite, but should not be required if the applicable interconnection procedures already require a demonstration of site control.

*Example: Georgia Power ASI – “To demonstrate site control, the applicant must submit documentation of applicant’s ownership or other legally valid property interest in the proposed site, or a signed, non-binding letter of intent with the site owner permitting submission of the application for the site.”*

*Example: CA Re-MAT – “The Applicant must provide to [Utility] an attestation that it has 100% site control for the Project through: (a) direct ownership; (b) lease; or (c) an option to lease or purchase that may be exercised upon execution of the Re-MAT PPA. The Applicant is required to submit a map showing the boundary of the Site for which the Applicant has control as part of the PPR. [Utility] reserves the right to request additional information.”*

*Example: Vermont SPEED Standard Offer Program: “The Proponent must demonstrate project Site Control by providing evidence of proof of dominion over such real property through one of the following: (1) fee simple title to such real property; (2) a valid*



*written leasehold interest for such real property for at least the duration of the contract term plus project development time; (3) a valid written option with all terms stipulated, unconditionally exercisable by the Proponent or its assignee, to purchase or lease such real property; or (4) a duly executed contract for the purchase or lease of such real property. As further guidance as to what is necessary to document Site Control we offer the following: a lease must unconditionally bind the lessor, owner of the property, subject to payment of a named rent and compliance by the producer/lessee with standard commercial terms. An option or contract of sale must unconditionally confer on the producer the right to purchase or lease the property within an agreed upon period at a named price. It must be binding on the owner of the property and provide that the owner cannot unilaterally withdraw, revoke, or rescind the obligation to sell or lease the property to the producer.”*

**Clean Coalition Recommendation:**

The requirements specified in the CA Re-MAT example are sufficient, but the utility should not retain the right to request additional information. All information that could be required to satisfy this requirement should be explicitly spelled out in the program. An open ended right to request other information risks “abuse” by the utility and adds unnecessary risk to the application process.

*Developer viability*

“Developer viability” refers to the demonstrated ability to build the type of project proposed by the CLEAN Program applicant. This is another, less commonly used, tool to reduce the risk of contract failure. For a new program that is creating a relatively new market, this can be difficult to implement as there may be few developers with experience that can “prove” their viability. However, policymakers in more established markets may have sufficient data to establish viability criteria that make sense in terms of reducing risk without closing off the market to new participants.

Example: CA Re-MAT – *“The Applicant must provide to SCE an attestation that at least one member of its development team has: (a) completed the development of at least one project of similar technology and capacity; or (b) begun construction of at least one other project of similar technology and capacity. A project less than 1 MW will be deemed to be a similar capacity to a Project up to 1 MW. A project between 1 MW to 3 MW will be deemed to be a similar capacity to a Project up to 3 MW. For example, for a 3 MW Project, a project of similar capacity cannot be smaller than 1 MW.”*

Example: Rhode Island DSGC – *“The first stage consists of a review of whether the bids satisfy specified eligibility and minimum threshold requirements. National Grid will conduct any additional evaluation as required, consistent with the requirements set forth above, and select applicants for execution of Standard Contracts. Consultation with the Rhode Island Office of Energy Resources and/or the Rhode Island Division of Public Utilities and Carriers may also be utilized in this further assessment.”*

(Rhode Island DGSC example cont...)

Projects are ranked on scoring criteria where developer viability is scored in row C in the below table.

**Non-Price Scoring for All Projects (20 points)**

Evaluation Factors	Max Points	Criteria Considered in Each Factor
<b>A. Siting and Permitting</b>	4.0	<ul style="list-style-type: none"> <li>• Extent to which site control has been achieved and acquisition of any necessary real property rights, including right of ways (1.5 points)</li> <li>• Identification of required permits and approvals and status of plan to obtain permits and approvals (1.5 points)</li> <li>• Community relations/support (1.0 points)</li> </ul>
<b>B. Project Development Status and Operational Viability</b>	6.0	<ul style="list-style-type: none"> <li>• Reasonableness of critical path schedule and demonstrated ability to meet major milestones (1.5 points)</li> <li>• Credibility of energy resource plan (1.5 points)</li> <li>• Commercial access to and reliability of the proposed technology (1.0 points)</li> <li>• Progress in interconnection process (2.0 points)</li> </ul>
<b>C. Experience and Capability of Bidder and Project Team</b>	3.0	<ul style="list-style-type: none"> <li>• Project development experience (1.0 points)</li> <li>• Project financing experience (1.0 points)</li> <li>• Operations and maintenance experience (1.0 points)</li> </ul>
<b>D. Financing</b>	4.0	<ul style="list-style-type: none"> <li>• Credibility of the financing plan (2.0 points)</li> <li>• Financial strength of the bidder (2.0 points)</li> </ul>
<b>E. Economic Benefit</b>	3.0	<ul style="list-style-type: none"> <li>• Project provides direct employment benefits (1.0 points)</li> <li>• Project provides indirect employment benefits (1.0 points)</li> <li>• Project provides tax revenues or other similar revenues (1.0 points)</li> </ul>
<b>Total</b>	<b>20.0</b>	

**Total Scoring**

<b>Small Projects</b>	
Non-Price Scoring	20
Score on Completion Date	20
<b>Total</b>	<b>40</b>
<b>Large Projects</b>	
Price Scoring	80
Non-Price Scoring	20
<b>Total</b>	<b>100</b>

Source:

[www.nationalgridus.com/non\\_html/2013%20RI%20DG%20Standard%20Contract%20Enrollment%20Application%20and%20Process%20Rules%20r3.pdf](http://www.nationalgridus.com/non_html/2013%20RI%20DG%20Standard%20Contract%20Enrollment%20Application%20and%20Process%20Rules%20r3.pdf)

**Clean Coalition Recommendation:**

With reasonable application fees and development security requirements no additional developer viability criteria should be required. If the market shows its confidence in the ability of the developer to complete the proposed projects – through suitable

investments in the project(s) – there is little need for regulators to second-guess the market. Moreover, if a development security is required, this key milestone will generally occur early in the development process and non-viable projects will be forced to drop out and their capacity allocations will be returned to the pool of available program capacity.

## 2. Pricing considerations

### *Choosing the right price mechanism*

Pricing is a central issue for all CLEAN programs and the choice of overall price mechanism is addressed separately in the Clean Coalition’s *CLEAN Program Pricing Guide*.

### *Price containment – price cap and price floor*

Most CLEAN Programs today have some type of price adjustment mechanism, but very few have price floors or ceilings.

To protect against paying overly high prices, a pre-announced price cap can be used. This both constrains price adjustments to protect ratepayers from unanticipated costs and allows for additional market certainty. The determination of a price cap will be situation specific, based on any energy cost limitations set in policy / statute.

To avoid the “race to unviability” and risking program failure as well as project failure, CLEAN programs can also include a price floor. A price floor will provide longer-term market certainty that a project will be able to obtain viable pricing. Certainty is the key feature of successful markets, no matter what type of market is at issue. A price floor provides clear signals to the market to invest and participate.

Distressed projects may skew the market just as foreclosures do to housing prices. While this may result in some lower cost contracts initially, contract rates below the cost of new development discourages investment in new development, delaying the availability of subsequent new capacity and market participation.

Example: Rhode Island’s DSGC – Prices for smaller projects are fixed at the “Ceiling Price” designated by the particular size and technology.

### *2013 Ceiling Rates*

*PV (50-100 kW): 29.95 cents/kWh*

*PV (101-250 kW): 28.80 cents/kWh*

*PV (251-499 kW): 28.40 cents/kWh*

*PV (501-5,000 kW): 24.95 cents/kWh*

*Wind (50-100 kW): 24.65 cents/kWh*

*Wind (200-999 kW): 16.20 cents/kWh*

*Wind (1,000-1,500 kW): 14.80 cents/kWh*

*Anaerobic Digestion (400-5,000 kW): 18.55 cents/kWh*

**Clean Coalition Recommendation:**

All CLEAN Programs should include a price cap and a price floor in order to protect against over-payment (price cap) and to provide market certainty (price floor).

**3. Contracting management**

*Capacity Allocation (Queue Positions)*

The issue of how to assign queue positions to parties interested in obtaining a CLEAN Contract becomes challenging when there is a great deal of interest in a program. This may occur if the program is new or if the program is relatively small compared to the level of market interest. The key issue that arises in either case is how best to award PPAs when there is a demonstrated high level of interest and a legitimate basis to prefer some projects, regardless of any perfect means for determining who applied first. Basing contract assignment on who clicked a button fastest or who camped out in front of the offices waiting for the first applications to be accepted does not reflect meaningful prioritization.

Best practices avoid encouraging applicants to submit applications seconds or minutes ahead of potential rivals. The most common practice is to specify a time period (usually in days) during which all submitted applications are considered submitted at the “same time”. Then, queue positions are assigned based on a lottery or other randomized mechanism. However, if the submitted applications are far in excess of available program capacity, this may make the program too random for potential applicants.

Alternatively, interconnection queue position or expected Commercial Online Date (COD) can be used to distinguish between “same-time” applications. The advantage of such methods is that the program can provide preference to projects that are likely to come online more quickly.

It is also possible to use scoring criteria similar to the Rhode Island program (described in Developer Viability above) to assign queue positions, but this may be administratively burdensome and the Clean Coalition has not found any examples of this practice.

Example: Georgia Power ASI – *“Lottery system for same day applications; Applications that were awarded a spot on the waiting list must have also notified the Company within 2 business days if they wanted to swap the waiting-list chosen project for another conforming project that was submitted during the original application period.”*

Example: CA Re-MAT – All applications received in first seven days are considered simultaneous - “*the Re-MAT Queue Number assignment will be based on the date and time that the PPR was received by [utility], provided that PPRs received on or before 5:00 p.m. Pacific Standard Time (PST) on October 7, 2013 are deemed received at the same time and the sequence of Re-MAT Queue Numbers for PPRs received during that period will be assigned by lottery or other randomized basis*”

**Clean Coalition Recommendation:**

A week is a reasonable time period by which to consider applications to be “same time”. These “same time” applications should then be ordered based on interconnection queue position (or estimated interconnection completion date) so that processing of the queue and deployment can proceed as quickly as possible. If use of the interconnection queue position is not feasible, then it would also be appropriate to use the Commercial Online Date that the applicant committed to in applying for the CLEAN Contract.

*Seller concentration limits*

In order to ensure access by a variety of developers, and to not limit contracts to only the largest and most sophisticated developers, CLEAN Programs can employ limits on the total program capacity that a single developer can contract. These limits can be specified in absolute capacity numbers (e.g. 5 MW) or in percentages of capacity, either in the overall program capacity or the capacity of a specific allocation.

Seller concentration limits can be difficult to enforce when ownership of multiple projects can be complicated. Developers may form a different LLC for each project for example. Any program that institutes such limits should specify how it defines a single “seller” or “participant”.

Example: Georgia Power ASI – “*Georgia Power limits the annual participant capacity to 20% of the available annual capacity for the small and medium scale program. This equates to 9 MWs in 2013 and 9 MWs in 2014.*”

Example: LIPA CSI – “*LIPA reserves the right to limit the number of projects with common ownership.*”

Example: San Antonio (inactive program) – “*The program was designed so that as many eligible participants can participate as possible. We are limiting each owner/developer to an aggregate of no more than 500 kW of proposed projects*”

**Clean Coalition Recommendation:**

For smaller CLEAN Programs, such as small pilot programs, where there may not be many projects total, seller concentration limits are unlikely to be useful. Generally, where there is the potential for an award of three or more full-size projects per capacity allocation, a 50% seller concentration limit for each capacity allocation is appropriate.

### *Daisy-chaining limit*

Where strict size limits are placed on CLEAN Program projects, some developers may be tempted to game the rules by breaking what is correctly considered a single project into a number of smaller ones and applying to the CLEAN Program separately for each of the smaller projects. In general, this behavior should be discouraged/prevented, but to the extent that the program does want to allow developers to take advantage of economies of scale (subject to seller concentration limits), the limits should not prevent developers from siting multiple projects in relative proximity.

Example: LIPA CSI – *“Projects of a single owner or its affiliates at the same site may not be eligible for multiple meters at the same location for purposes of qualifying for the capacity reserved for smaller generators.”*

Example: Rhode Island DSGC – *“1.2.2a – Small Distributed Generation Projects must have a nameplate capacity no larger than the following: Solar: 500 kW; Wind: 1.5 MW; Anaerobic Digestion: 500kW and Other Technologies: 1 MW. The applicant must submit an affidavit confirming that the project is not a segment of a larger project.”*

Example: CA Re-MAT – *“The Applicant must provide to [Utility] an attestation that the Project is the only exporting project being developed or owned or controlled by the Applicant on any single or contiguous pieces of property. [Utility] may, at its sole discretion, determine that the Applicant does not satisfy this Eligibility Criteria if the Project appears to be part of a larger installation in the same general location that has been or is being developed by the Applicant or the Applicant’s Affiliates “*

#### **Clean Coalition Recommendation:**

The easiest method for resolving the daisy-chaining issue is to require that each project that applies for the CLEAN Program must be associated with a separate interconnection application to a different point of common coupling (PCC) on the grid. While this rule has not been used in existing programs, the Clean Coalition recommends this methodology because it avoids many of the complexity and issues around determining what projects count as daisy-chaining.

## **4. Other considerations**

### *Expedited interconnection*

CLEAN Programs should include expedited interconnection procedures if they are not already available. Interconnection in each jurisdiction can become more difficult as interest in distributed generation ramps up because utilities may become overwhelmed with interconnection requests.

Example: Rhode Island DSGC – *“Chapter 39-26.3(e) In anticipation of the electric distribution company needing to add resources that are not currently in Rhode Island or covered in rates, to provide the necessary services to advance the aggressive goals and objectives set forth in title 39, the electric distribution company shall be authorized to add up to two (2) incremental employee resources located in Rhode Island that shall be primarily dedicated to servicing Rhode Island applicants and customers in connection with net metering and the development of distributed generation resources, including the requisite resources to perform impact and feasibility studies for distributed generation interconnections and to assure that feasibility studies and impact studies, as well as other engineering activity necessary to facilitate the completion of distributed generation projects in Rhode Island are implemented and delivered on a timely basis..”*

Example: CA Re-MAT – The law that created the CA Re-MAT program, SB 32, required that the utilities commission create expedited interconnection procedures for the new CLEAN Program. The utilities commission determined that the recently reformed Rule 21 and its expanded Fast Track eligibility and processes satisfied this requirement without creating a new procedure specific to SB 32.

### *Development timelines*

A major benefit of CLEAN Programs is that they can, when designed well, help to bring renewable energy online much more quickly than other alternatives. This is achieved largely by encouraging easily sited and permitted projects, simplifying contracting, and avoiding negotiations over each individual contract. A significant exception to this general rule arises when delays occur in project development.

A developer may seek advantage in delaying construction once a contract commitment is in hand, pending clarification of interconnection costs, hoping for reduced financing or equipment costs next year, or more convenient cash commitments. Such delays are not in the interest of the party offering the contract or other applicants who are ready to build and deliver energy. For this reason deadlines for achieving commercial operation are typically specified in the PPA and are important tools for preventing “queue squatting”.

On the other hand, hard deadlines with minimal exceptions can cause unfair project failure when delays occur outside of the developer’s reasonable control or expectation. Such issues have arisen, for example, where the utility takes far longer to interconnect the new generation facility than was originally estimated.

Example: Vermont SPEED Standard Offer Program – *“a. Within one year of the date of this Agreement, Producer shall file a complete Section 248 application with the Public Service Board, unless the project is a hydroelectric facility that requires a license from the Federal Energy Regulatory Commission. If the project is a hydroelectric facility,*

*Producer shall file an annual update with the Board, Department of Public Service, and Facilitator regarding the status of the project’s application before the Federal Energy Regulatory Commission.”*

Example: LIPA CSI – *“The Target Commercial Operation Date has been calculated to be (i) six (6) months after the Effective Date in the case of Facilities with a Nameplate Capacity of up to and including one hundred fifty (150) kW, (ii) nine (9) months after the Effective Date in the case of Facilities with a nameplate Capacity exceeding one hundred fifty (150) kW and up to and including five hundred (500) kW, and (iii) one (1) year after the Effective Date in the case of Facilities with a Nameplate Capacity exceeding five hundred (500) kW. In the event that Seller cannot achieve the Target Commercial Operation Date specified herein and seeks an authorized extension thereof pursuant to this paragraph (“Authorized COD Extension”), Seller shall deliver written notice to Buyer requesting the Authorized COD Extension provided herein and pledging to achieve commercial operation by the Authorized COD Extension date as provided herein. Buyer shall grant such Authorized COD Extension provided that Seller demonstrates to Buyer’s reasonable satisfaction that Seller can meet such date. In the case of Facilities with a Nameplate Capacity of up to and including one hundred fifty (150) kW, the Authorized COD Extension date shall be six (6) months from the Target COD. In the case of Facilities with a Nameplate Capacity exceeding one hundred fifty (150) kW and up to and including five hundred (500) kW, the Authorized COD Extension date shall be nine (9) months from the Target COD. In the case of Facilities with a Nameplate Capacity exceeding five hundred (500) kW, the Authorized COD Extension date shall be one (1) year from the Target COD. Notwithstanding any Authorized COD Extension, in no event shall the Termination Date be changed for any PPA for such Facilities.”*

Example: CA Re-MAT – *“Seller shall have demonstrated Commercial Operation by the “Guaranteed Commercial Operation Date,” which date shall be no later than the date that is twenty-four (24) months (720 days) after the Execution Date; provided that, subject to Section 2.8.4, the Guaranteed Commercial Operation Date may be extended for the following reasons (“Permitted Extensions”) Subject to Section 2.8.5, if Seller has taken all commercially reasonable actions (including but not limited to Seller’s timely filing of required documents and payment of all applicable fees, and completion of all Electric System Upgrades needed, if any) to have the Project physically interconnected to the Transmission/Distribution Owner’s distribution system, but fails to secure any necessary commitments from CAISO or the Transmission/Distribution Owner for such interconnection and upgrades due to delays beyond Seller’s reasonable control (“Transmission Delay”), then the Guaranteed Commercial Operation Date shall be extended six (6) months;”*

**Clean Coalition Recommendation:**

A reasonable development timeline requirement is that projects be online within 18 months from the execution of a CLEAN Contract and that intermediate milestones



toward this deadline be established. For most small renewable energy projects, 18 months is more than sufficient time for project completion, if project developers have planned well before applying for a contract and initial interconnection studies have been completed.

However, any CLEAN Program that has such a deadline should also allow unlimited extensions for regulatory or interconnection delays when the delays are outside of the control of the developer. If the developer has made all reasonable efforts to bring the project online as quickly as possible, the contract should allow for these unforeseen delays.

### *Reporting*

It is important that utilities and regulators have some insight into project development activities prior to completion of the project, in order to address problems that arise in a timely manner. Reporting requirements, where developers must provide reports on a regular basis to the utility, exist for this reason. However, reporting requirements should be limited and judicious because overly frequent requirements can pose a substantial distraction to completion of the project and can be overly burdensome for developers.

Example: Rhode Island DSGC – Requires the applicant to provide the utility with written notice of the achievement of each identified milestone within seven days after that achievement.

### **Clean Coalition Recommendation:**

Reporting requirements during construction should be no more often than quarterly and no more often than annually after completion of the project. Alternatively, reporting should be required only upon completion of specified milestones.

### *Renewable Energy Certificates (RECs)*

Most projects that participate in CLEAN Programs can qualify for renewable energy certificates (RECs) for the produced energy. RECs may provide an important source of additional revenue for CLEAN Program developers and/or power purchasers. Some states have active REC markets but others require that RECs be bundled with power sales.

Example: Georgia Power ASI – Most CLEAN Programs specify that the purchasing utility owns the RECs. The Georgia Power ASI is an exception to this rule in that they allow the seller/applicant to maintain ownership of the RECs.

Example: Hawaii FIT – *“Environmental Credits. To the extent not prohibited by law, any Environmental Credit shall be the property of the Company; provided, however, that such Environmental Credits shall be to the benefit of the Company’s ratepayers in that the value must be credited “above the line”. Seller shall use all reasonable efforts to*

*ensure such Environmental Credits are vested in the Company, and shall execute all documents, including, but not limited to, documents transferring such Environmental Credits, without further compensation; provided, however, that the Company agrees to pay for reasonable costs associated with such efforts and/or documentation.”*

Example – Vermont SPEED Standard Offer Program – “1.2.2 **ELIGIBILITY REQUIREMENTS, B. LARGE DISTRIBUTED GENERATION PROJECTS:** *Large Distributed Generation projects must bid a fixed bundled price for the sale of energy, capacity, and renewable energy certificates (“RECs”) and all other environmental attributes and market products that are available or may become available from the distributed generation facility on a per kilowatt-hour basis for the output of the project for a contract term of fifteen (15) years.”*

**Clean Coalition Recommendation:**

In general, the power purchaser (usually a utility) should own the RECs because this provides a substantial incentive for the power purchaser to cooperate and even encourage CLEAN Programs as a means for meeting climate mitigation or renewable energy targets. This also provides greater certainty to the developer in executing the contract rather than the risk of unknown future revenue from the RECs.

## **Glossary of Terms**

*CLEAN* = Clean Local Energy Accessible Now

*CLEAN Contract* = Standard contract between a wholesale distributed generation facility and the utility purchasing the power. Standard contracts are non-negotiable and pre-approved by the regulatory authority. The CLEAN Contract is often referred to as the Power Purchase Agreement (PPA) within a CLEAN Program.

*CA Re-MAT* = California Renewable Market Adjusting Tariff. Program created by Senate Bill 32 (2009), due to launch on October 1, 2013

*Georgia Power ASI* = Advanced Solar Initiative, launched as a voluntary program by Georgia's largest IOU in 2013

*Hawaii FIT* = The state of Hawaii's Feed-in Tariff Program launched in 2010

*LIPA CSI* = Long Island Power Authority Clean Solar Initiative. The first version of this program launched in 2012. CSI-II is due to launch in late 2013

*Rhode Island DSGC* = Rhode Island Distributed Generation Standard Contracts. Based on 2010 legislation, program was launched in 2011

*Vermont SPEED Standard Offer Program* = SPEED - Sustainably Priced Energy Development. Enacting legislation in May 2009 resulted in program launch in September 2009.