

STATE OF RHODE ISLAND
OFFICE OF GOVERNOR DANIEL J. MCKEE

July 6, 2021

TO THE HONORABLE, THE PRESIDENT OF THE SENATE:

In accordance with the provisions of Article IX, Section 14 of the Constitution of the State of Rhode Island and Section 43-1-4 of the Rhode Island General Laws, I transmit, with my disapproval, 2021-S699, "An Act Relating to Public Utilities and Carriers – Distributed Generation Interconnection."

This bill amends the process that an electric utility must follow when complying with a request from a renewable energy generator to connect to the electric system, including stricter timelines to provide studies and cost estimates of infrastructure upgrades, accounting and reporting requirements, and the establishment of an independent ombudsperson to oversee the electric distribution company's interconnection practices. However, this bill also requires ratepayers to fund electric system upgrade costs that are currently the responsibility of renewable energy developers.

This bill will have the effect of shifting millions of dollars of costs from developers of renewable energy who sell their power to National Grid ratepayers. Ratepayers already pay for the renewable energy purchased by National Grid from these projects and, as written, this bill would increase those costs with no oversight by any regulatory agency.

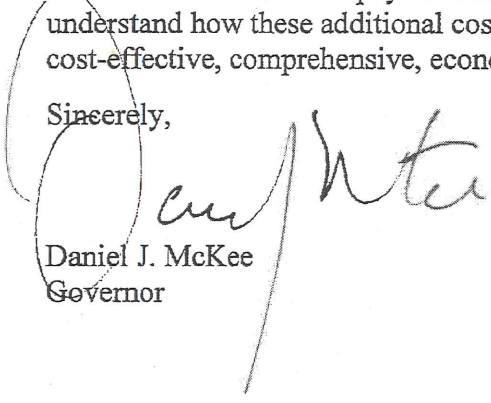
This bill would transfer the cost of transmission upgrades needed to interconnect large-scale renewable generation projects from the developers of those projects to the general body of ratepayers. Currently, these costs are the responsibility of the investors of the generation projects. Because of their size and location, there are numerous projects that will have an impact on the reliability or safety of the high voltage transmission system which serves all of Rhode Island. These upgrades can sometimes cost tens of millions of dollars.

By prohibiting the Public Utilities Commission from allocating those costs to the generators regardless of the circumstances, all ratepayers would absorb those costs, in addition to the costs already being born by ratepayers through payments and credits already committed to finance the projects. Thus, the profit margins of the developers would be enhanced at the expense of ratepayers.

The legislation also removes a significant cost signal for developers which may exacerbate state and local siting concerns. Large-scale renewable projects tend not to be sited close to populated areas where electric users are located, so more transmission infrastructure is needed to connect the supply with the demand. Moreover, the larger the projects, the greater the potential impact. Under current law, developers must weigh the tradeoff between optimal sites and sizing which may have lower initial project costs for the developer against the potentially substantial costs of impacting the transmission infrastructure. Transferring costs to ratepayers would eliminate any incentive for the generators to consider the costs to the transmission system in their siting and development decisions because ratepayers would bear all of the cost responsibility instead of the generators, regardless of the location or size of the projects.

Transmission costs are not presently an impediment to the state's renewable energy sector. Rhode Island has one of the highest levels of solar saturation in the country. Even with the potential that projects may have to absorb the costs of transmission upgrades, renewable projects are still moving forward at a fast pace. Before the State considers shifting significant additional transmission costs to ratepayers who already are funding the projects through rates, we need to understand how these additional costs fit within the suite of investments necessary to achieve cost-effective, comprehensive, economy-wide decarbonization.

Sincerely,



Daniel J. McKee
Governor