

Getting Comfortable with DER Level Merchant Risk

DER revenue on a \$/kWh basis varies widely by state, but also by utility rates (by rate class), REC value, storage revenue, etc. each of which can change over time:

Understanding = Comfort



Link to poster

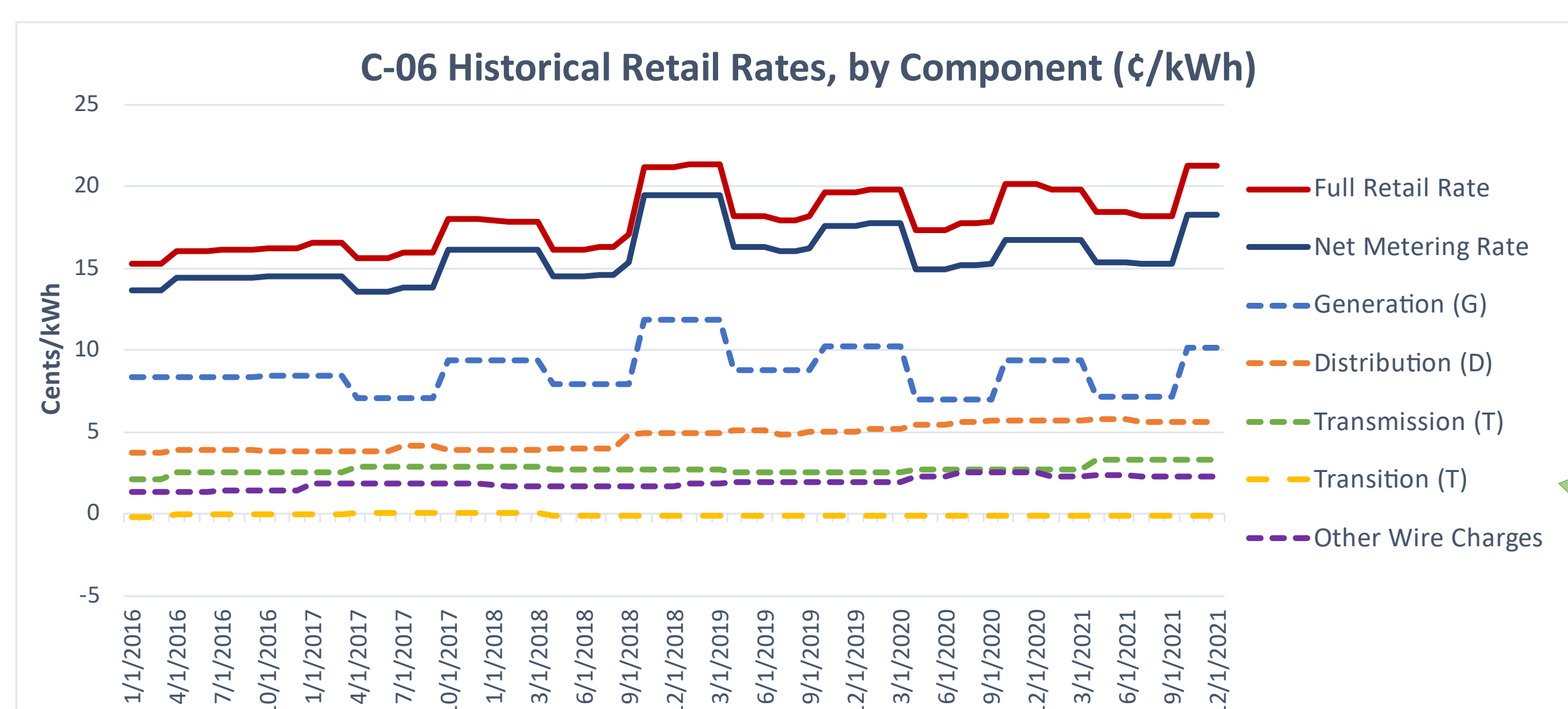


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Step 1: Understand what revenue components vary
Fixed and variable components for example DER incentive program listed below. Every program is “special”.

Program	Fixed Components	Variable Components	Comment
CT-Net Metering	n/a	NM Rate & Class I RECs	
CT ZREC	Class I RECs	Retail, NM or Wholesale Rate	
DE Community Solar	n/a	Retail Rate	Distribution + Supply Service only
IL Adjustable Block	RECs	Retail energy only for Community Solar	RECs valued at the modeled “missing money” rate
MA-SMART Stand-alone	Sum of Incentive + Value of Energy Rates	n/a	Declining Block program; RECs claimed by EDC
MA-SMART BTM*	Incentive Rate	Retail, NM or Wholesale Rate	Declining Block program; RECs claimed by EDC
MA SREC	n/a	SRECs & Retail, NM or Wholesale Rate	
ME DG Procurement	Value of Energy	Class I RECs	Declining Block program
ME Net Energy Billing	n/a	NEB Rate & Class I RECs	
NY VDER	E, DRV, LSRV & MTC / Community Credit	LBMP & Capacity	DRV only fixed for first 10 years
NY Net Metering (On-site BTM)	n/a	Retail Rate, non-tradable RECs	Restricted to ≤ 750 kW
NH Net Metering	n/a	NM Rate & Class I/II RECs	
NJ SREC-II ADI	n/a	SREC-IIIs	SREC-IIIs fixed for 15 years
NM Community Solar	n/a	Retail Rate & RECs	Only generation, FPPCAC, and transmission components of retail rate
RI REG Program	Incentive Rate	n/a	Incentive rate fixed for 15-20 years; RECs claimed by EDC
RI Net Metering	n/a	NM Rate & Class I RECs	
VT Standard Offer	Incentive Rate	n/a	Incentive rate fixed for 15-25 years; RECs claimed by EDC
VT Net Metering	n/a	NM Rate & Class II RECs	RECs retained or claimed by EDC

Step 2: Understand “historic” magnitude and variability of revenue components
by their subcomponents. Rhode Island virtual net metering (RI NM) example below.



Like many DER variable revenue streams, RI NM revenue is a derivative of retail rates with major and minor subcomponents.

- Generation is a function of wholesale and capacity rates
- Distribution is a function of local utility cost of service
- Transmission is a function of FERC jurisdictional approved costs

Step 3: Understand drivers of revenue variation & provide case based justifiable forecasts by subcomponent. By analyzing drivers of subcomponent rate variability, one can provide case based justifiable forecasts for each subcomponent → aggregate → results in a component level forecast. DER revenue can then be bounded with reasonable base, downside and upside forecasts