

# Interim EVT Guidelines

## Projects with Customer-Sited Generation

The DPS anticipates addressing a number of policy issues regarding customer-sited, distributed generation in the current Collaborative on Distributed Utility Planning. Until there is further guidance from that process, EVT proposes the following guidelines be used to respond to lost-opportunity, customer-initiated or vendor-initiated projects where customer-sited generation is being considered.

1. During this interim period, there will be no significant expenditure of EVT resources on customer-sited generation that is being used simply as a substitution for grid-supplied power. This includes, but is not limited to, fossil-fuel and biomass-fired generators, wind power, photovoltaics, microturbines and fuel cells. With respect to these technologies and applications, EVT will limit its involvement to the provision of limited general information and referral to other sources of information and assistance.
2. During this interim period, EVT may, however, invest EVT funds in a narrow subset of projects that make use of customer-sited generation in the form of cogeneration (i.e., combined heat and power). Only those cogeneration projects which achieve a high level of overall efficiency (including both heat and power) will be considered (e.g., above 70% overall efficiency) and the electrical output of such systems must be used solely to offset the load of the customer where the project is sited.
3. In new construction markets, EVT is sometimes presented with projects where cogeneration has been proposed by the builder, developer or client. In these instances, EVT will review cogeneration proposals provided by the client or vendors and, as a matter of customer service, advise the client to the extent deemed appropriate by EVT. EVT will not use EVT resources for incentives, engineering services or engineering analysis for any cogeneration systems in new construction projects.
4. In existing facilities, EVT will consider projects that include cogeneration and may offer technical assistance and/or incentives in certain instances where cogeneration can clearly be determined to offer greater societal benefits than eligible efficiency or fuel substitution measures that might otherwise be implemented with support from EVT. This is likely to be limited to projects where fuel substitution is a cost-effective option. In these instances, the cogeneration option would be treated as follows:
  - Develop fuel switch scenario as reference efficiency measure
  - Screen fuel switch scenario using statewide tool for societal cost effectiveness
  - Societal net benefits must be greater than 0
  - Identify any efficiency measure alternative(s) to fuel switch

- Societal net benefits of fuel switch must exceed net benefits of any efficiency alternatives
- Develop cogeneration scenario as comparable as possible to fuel switch scenario (same loads, cost basis, other assumptions)
- Screen cogeneration scenario using statewide tool for societal cost effectiveness
- Input estimated fuel consumption as fossil fuel increase (as in fuel switch screening)
- Input load shape of electrical generation as electrical use savings (as in fuel switch screening)
- Compare societal net benefits of cogeneration scenario to fuel switching scenario
- Societal net benefits of cogeneration scenario must exceed those of fuel switch scenario

There are likely to be choices to be made in any cogeneration scenario. EVT should seek to identify and encourage the options that provide the greatest net societal benefits (this would include analyzing, recommending and/or providing incentives for systems with higher overall efficiency than might otherwise be installed)

On an interim basis, the upper limit of the financial incentive that EVT could provide would be the upper limit that we would offer for the fuel switching scenario.

1. There may be certain additional circumstances where EVT projects that include customer-sited generation should be pursued on a case-by-case basis. For example, where the fuel source is a waste gas (e.g. methane) that would otherwise contribute to Vermont's greenhouse gas emissions. In these circumstances, EVT should compare various options (e.g. direct combustion for application to thermal loads vs. reducing customer load through electric generation vs. cogeneration) and assess them from the perspective of societal net benefits. Such projects would be discussed with the DPS on a case-by-case basis. Before proceeding with the project, EVT would submit a recommendation, including screening results and a policy rationale, for approval by the Contract Administrator.

*Note: These interim guidelines were reviewed by the DPS and Contract administrator, who agreed that they are "workable as a set of guidelines for EVT to use in implementing its programs" and that while we can revisit them with the DPS, "for now, however, we believe that the approach you have outlined should provide useful guidance to your program managers and implementers" (S. Parker e-mail to BH on 5/8/2001). Mike Wickenden concurred in a 5/9/2001 e-mail.*