

# **ADVANCED ENERGY BUYERS GROUP**

**the policy voice of advanced energy purchasers**

August 24, 2018

**Department of Mines, Minerals, and Energy**  
3405 Mountain Empire Road  
Big Stone Gap, Virginia 24219

## **COMMENTS OF THE ADVANCED ENERGY BUYERS GROUP**

*Regarding*

### **THE 2018 VIRGINIA ENERGY PLAN**

The Advanced Energy Buyers Group (“AE Buyers Group” or “Buyers Group”) respectfully submits written comments for consideration by the Department of Mines, Minerals, and Energy (DMME) as it compiles the 2018 Virginia Energy Plan.<sup>1</sup> These comments reflect our experience as large energy customers in the Commonwealth, and specifically as customers pursuing advanced energy technologies and services to meet our energy needs, including renewable energy, energy storage, energy efficiency, demand response, electric vehicles, and more. Given this perspective, we advocate for an energy system in Virginia that (1) includes flexible and cost-effective options

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<sup>1</sup> These comments represent the consensus view of the Advanced Energy Buyers Group, but do not necessarily reflect the position of any individual company.

for all customers to purchase advanced energy, especially large commercial and industrial customers; and that (2) ensures that all utility investments in maintaining reliable, clean, and affordable electricity are prudent and cost-competitive, and that they deliver positive quantifiable benefits to all Virginia customers—preparing the Commonwealth for the future by embracing innovation, saving consumers money, and minimizing the risk of future stranded assets. An energy system that embraces customer-driven growth of clean energy and that encourages innovation will meet the needs not only of our companies, but of all Virginia customers.

### **ABOUT THE ADVANCED ENERGY BUYERS GROUP**

The Advanced Energy Buyers Group is a business-led coalition of large energy users engaging on policies to expand opportunities to procure energy that is secure, clean, and affordable. Members of the Buyers Group are market leaders and major employers spanning different industry segments, including technology, retail, and manufacturing. Our companies are among the 71% of Fortune 100 companies and 43% of Fortune 500 companies that have established renewable and/or climate targets as part of our corporate sustainability commitments. We share a common interest in expanding our use of advanced energy, such as renewable energy like wind, solar, geothermal, and hydropower; demand-side resources like energy efficiency, demand response, and energy storage; and onsite generation from solar photovoltaics, advanced natural gas turbines, and fuel cells.

In 2017, members of the AE Buyers Group totaled over \$1.2 trillion in revenue and collectively consumed over 18 terawatt hours (TWh) of electricity, including over 11 TWh of renewable electricity, equivalent to the electricity sales for the states of North Dakota and

Delaware, respectively. This collective electricity use includes a significant footprint in Virginia.

The members of the AE Buyers Group are united by six guiding principles:

1. Customers in all states should have a broad array of choices to pursue advanced energy to meet their particular needs;
2. Options to pursue advanced energy should work and be available for companies large and small across all market sectors, as well as municipal, non-profit, and educational entities;
3. Options to pursue advanced energy in all jurisdictions should be transparent, simple, flexible, and market-based, and should allow for competitive procurement;
4. Customers should realize both the cost savings and all other benefits from their purchases of in renewable and other advanced energy technologies;
5. Voluntary customer purchase of renewable energy and other advanced energy technologies should not adversely impact other customers; and
6. Federal and state market and regulatory structures should enable innovation and cost efficiencies, and should facilitate the transition to a more secure, flexible, clean, and affordable energy system.

In the comments that follow, the AE Buyers Group provides recommendations to bring Virginia's energy system into better alignment with these guiding principles.

### **COMMENTS**

The AE Buyers Group supports an energy system in Virginia that responds to the needs and preferences of customers seeking to address their own energy needs with advanced energy, while

also ensuring that the system as a whole enables and encourages innovation, technology adoption, and increased reliability without sacrificing on affordability.

**I. Virginia should enable commercial and industrial customers to meet their energy needs, preferences, and goals by providing options for customers to purchase renewable energy and other advanced energy technologies and services.**

Virginia is a growing technology hub, and home to strong manufacturing, industrial, and retail sectors. As the companies powering Virginia's economy increasingly pursue renewable and other advanced energy resources to meet their electricity needs, the Commonwealth should position itself to satisfy this shifting corporate demand. Doing so will not only meet the needs of businesses such as members of the Buyers Group, but also unleash investment that will modernize Virginia's energy infrastructure.

Virginia has made good progress toward enabling corporate renewable energy procurement, and has the opportunity to build upon this strong foundation to secure a true leadership position. Specifically, the Commonwealth has made progress to date in the following areas:

- **Introduction of (limited) customer choice provisions.** Virginia Code includes options for certain customers, under certain circumstances, to contract directly with competitive service providers (CSPs), an option that allows customers like our companies to access renewable energy options through tailored solutions that meet our particular needs. However, as noted below, limitations in Virginia Code have restricted this option in practice.
- **Development and approval of utility renewable energy offerings.** Virginia's utilities have introduced a number of renewable energy offerings that have met with varied success. One example that has addressed the needs of certain customers and

has been used to drive new renewable energy projects for companies in the Commonwealth is Dominion Energy's "Schedule Market Based Rate" (Schedule MBR). However, as explained below, many customers still lack access to renewable energy through utility offerings.

- **Participation in a Regional Transmission Organization.** Both Appalachian Power Company (APCo) and Dominion Energy (Dominion) joined the PJM Interconnection, Inc. (PJM) in 2004 and 2005, respectively, bringing to Virginia customers not only the benefits of an organized wholesale market, but also additional opportunities to pursue renewable energy across the region.<sup>2</sup>

However, Virginia still falls short of meeting the first two guiding principles set out by the Buyers Group. Namely, customers in the Commonwealth lack sufficient variety of choices to meet their advanced energy goals, and not all customers of different sizes and profiles have access to solutions that meet their needs and preferences. To address these shortcomings, Virginia should prioritize the following reforms:

- **Remove restrictions that make Virginia's energy choice provisions unusable.**

Three simple changes to Virginia Code would enable customers to make use of the state's energy choice provisions. First, the restriction that prevents CSPs from offering 100% renewable energy options to customers if the customer's incumbent utility also offers 100% renewable energy should be removed to enable renewable energy procurement and encourage additional innovation and choice in product offerings for customers seeking renewable energy. Second, the requirement for a

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<sup>2</sup> See PJM Interconnection, "PJM History," available at <https://www.pjm.com/about-pjm/who-we-are/pjm-history.aspx>

customer of a CSP to provide five years' advance notice if they wish to return to utility service should be removed or reduced to one year or less, bringing it into alignment with neighboring states. Third, the load threshold for customers to select service from a CSP should be lowered from 5 MW to 1 MW. These changes would increase customers' options within the Commonwealth, and would also bring benefits to customers with operations across PJM by enabling them to aggregate their load regionally and achieve greater economies of scale for their renewable energy purchases.

- **Ensure that all customers have access to utility renewable energy programs that meet their needs and preferences.** While Virginia's utilities have made progress by introducing innovative and successful renewable energy offerings, many customers still lack access to renewable energy through their utility due to program eligibility restrictions, program caps, or lack of options that match their needs. Expansion of existing programs and introduction of additional cost-competitive program offerings—especially for existing customers and customers with smaller or distributed load—would be a good first step. In addition, program offerings should be made available by all Virginia utilities. An overview of Virginia's renewable energy offerings, including a discussion of their limitations, can be found in a recent guide compiled by Advanced Energy Economy and Virginia Advanced Energy Economy.<sup>3</sup>
- **Expand opportunities for onsite renewable energy.** Customers in Virginia are currently limited in their ability to pursue onsite renewable energy due to several

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<sup>3</sup> Advanced Energy Economy and Virginia Advanced Energy Economy, *Customer Renewable Energy Options in Virginia* (June 2018), <https://info.aee.net/renewables-options-for-virginia>.

restrictions, in particular: (1) legal uncertainty around third-party financing, and a small pilot size for onsite power purchase agreements of just 50 MW, (2) a cap on distributed generation limiting penetration to just 1% of peak load, and (3) a 1 MW project cap for non-residential distributed resource installations. Companies rely on third party financing to enable onsite solar installations in other states (consistent with other facility-related investments and improvements), as this allows them to reserve capital resources for core business priorities. Explicitly enabling third-party financing and raising these other caps related to distributed generation would allow customers to take full advantage of rooftops, parking lots, and other available land to install onsite resources.

- **Ensure that community solar is a cost-effective solution for Virginia customers.** Community or shared renewable energy offers a promising opportunity for both residential and commercial and industrial customers. However, Virginia’s pilot community program as it currently stands is in need of improvement. We recommend ensuring that customers be allowed to subscribe to a specific, identifiable shared project, and that third-party developers be allowed to provide community solar offerings to encourage innovation and ensure customers are receiving the best available price. Given the cost-competitiveness of solar resources, community solar programs in many states enable customers to actually save money, and we strongly encourage a program structure in Virginia that takes advantage of the long-term price certainty and cost-competitiveness of solar resources.

Implementing these reforms through the Virginia Energy Plan will bring the Commonwealth much closer to meeting the needs of a range of commercial and industrial customers.

**II. Virginia should ensure that utility investments in maintaining reliable, clean, affordable electricity are prudent and cost-competitive, and that they deliver positive quantifiable benefits for all Virginia customers while avoiding risk of future stranded assets.**

As large energy users dependent on reliable and affordable electricity, we also support efforts to lower costs, increase clean energy deployment, embrace innovation, and increase system flexibility, reliability, and resilience. This applies not to our own operations and corporate decisions, but to investments and actions by utilities and system operators at the direction of or with the support of regulators, policymakers, and other key decisionmakers.

The sixth and final guiding principle of the AE Buyers Group states, “Federal and state market and regulatory structures should enable innovation and cost efficiencies, and should facilitate the transition to a more secure, flexible, clean, and affordable energy system.” This principle reflects the fact that large customers are impacted not only by their ability to make direct energy purchases and investments, but by the broader electricity system that serves them. Specifically, the electricity system directly impacts our electricity costs, the emission profile of our utility-delivered electricity, and the reliability of the electricity system that serves our facilities. In addition, market and regulatory conditions can result in logistical and financial barriers (or opportunities) for our own advanced energy purchases.

In our own operations, we have seen that a diverse mix of advanced energy technologies and services—including investments in energy efficiency, participation in demand response programs, use of electric vehicles, reliance on energy storage, and purchase of onsite and offsite renewable energy—can lower costs and create new revenue streams while supporting a more diverse, flexible, and responsive grid. Given the rapid advances in cost and performance for energy storage, renewable energy, demand response, smart grid technologies, electric vehicles, and energy efficiency, we strongly support efforts to prioritize deployment of these cost-

competitive resources to meet resource needs in the Commonwealth. Specifically, we support an electricity system in Virginia that:

- Relies upon a robust, quantitative, customer-centric cost-benefit analysis of present and future needs to assess and prioritize cost-effective and prudent utility investments in generation resources, grid modernization, and other investments;
- Allows all technologies to compete to provide resource and grid needs on the basis of price and technical capability;
- Identifies and addresses any barriers to entry for technologies that deliver grid benefits, but have limited deployment history in the Commonwealth (e.g., energy storage, electric vehicles);
- Considers alternatives to large infrastructure investments to reduce costs and minimize risk of future stranded assets (e.g., distributed energy resources, energy storage, energy efficiency, non-wires alternatives);
- Enables customer-driven deployment of technologies and services that support a more modern, responsive grid (e.g., smart vehicle charging, energy storage, demand response, energy efficiency, etc.);
- Takes into account customer preferences for clean energy throughout the resource planning process;
- Allows ample time and opportunity for stakeholder participation in key proceedings such as integrated resource planning and rate cases; and
- Facilitates active and meaningful stakeholder participation by prioritizing availability and transparency of data regarding resource needs, costs, assumptions, and other key information.

An electricity system focused on innovation and customer participation will result in improved affordability, reliability, flexibility, and resilience—to the benefit of all Virginia residents.

## CONCLUSION

As businesses seeking renewable and other advanced energy to meet our own energy needs in the Commonwealth, and as customers dependent upon a reliable, flexible, responsive, and affordable grid, members of the Advanced Energy Buyers Group support forward-looking efforts to identify improvements to Virginia’s energy system. The AE Buyers Group appreciates the opportunity to provide input on the 2018 Virginia Energy Plan, and we respectfully request DMME’s consideration of our perspective.

Signed,

**The Advanced Energy Buyers Group<sup>4</sup>**

<https://info.aee.net/ae-buyers-group>

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<sup>4</sup> Please contact [AEBuyersGroup@aee.net](mailto:AEBuyersGroup@aee.net) with any questions.