How a joint procurement approach is a win for these Southern Maine towns

By Elana Knopp

In 2019, Maine passed a landmark bill to incentivize at least 375 MW of new distributed generation for renewable energy projects of up to 5 MW. Besides creating new incentives for solar projects, the legislation also removed the net energy billing account and size cap and allowed for a new Net Energy Billing (NEB) program with an alternative bill credit for non-residential customers. The program allows municipalities to offset their electricity bills using the output from small renewable generators such as solar farms.

The program helped launch a solar boom, bringing developers to Maine in droves, and culminating in nearly 84 MW of installed solar in 2020 alone--nearly half of Maine's total solar capacity.

“There had been some towns in Maine that put solar on their buildings or wastewater treatment plants and some local net metering, but once the legislation was passed in 2019, all of a sudden, towns were getting reached out to by solar developers,” Graeter told NPM.

“We would be getting messages from different town managers and town planners asking us about the companies, asking if we knew what they were talking about. It certainly was a very new initiative and a new phenomenon for these towns to be dealing with."

The SMPDC runs the Southern Maine Solar Collaborative (SMSC), a group of municipalities that have agreed to participate in a shared initiative to implement a joint procurement process for Net Energy Billing Contract Agreements (NEBCA).

The SMSC’s latest RFP, which closed in April, was recently issued on behalf of its six participating municipalities including Fryeburg, Kennebunkport, Kittery, Ogunquit, Old Orchard Beach and Waterboro. The SMPDC solicited bids for a master NEBCA for the towns to procure NEB Credits and Renewable Energy Credits (RECs) to offset a significant portion of municipal electricity use.

Each municipality plans to purchase credits to offset up to 85 percent of their municipal electricity costs, with the towns anticipating an aggregate purchase of approximately USD 750,000 in NEB credits.

A collaborative procurement process offers several key advantages, says Graeter, including better pricing options enabled by a larger procurement, reduced municipal staff time, and competitive contract terms.

“For the SMPDC, we have done a fair amount of collaborative procurement in the past, so that RFP process is really in our wheelhouse,” Graeter said. “When we started hearing about towns being approached by these solar developers, the towns seemed interested but kind of unsure. They did not really know what the best path forward was for the municipalities. We thought the collaborative procurement process might be best.”

The technical aspects of the NEB program can be complicated, says Graeter, especially since many of the region's participating municipalities are too small to hire their own solar managers. A collaborative approach can offer the technical know-how needed to navigate multiple options available to a community.

"Doing a collaborative procurement all at once also means the towns don't have to individually run an RFP process, so that saves them a lot of time," Graeter said. "And then it allows for towns that are smaller to participate and get the same benefits of whatever net energy billing contract is offered as the larger communities, which makes sense because we have some towns that use a lot of electricity and some that only have a handful of municipal buildings and streetlights they need to electrify. If that town went out by itself and reached out to a solar developer, they probably would not get a stellar rate for the net energy billing credits. But by pulling it all together with smaller and larger towns, that bigger capacity means that everybody is going to be offered the same rate."

The collaborative procurement framework also streamlines the process for solar developers.

"It makes it a lot easier for them to get connected to the communities to have a clear path forward to securing contracts with the municipal governments," Graeter said. "By streamlining this RFP process, it just makes it really simple. It makes it a lot more likely that at the end of the process, the towns will sign contracts with whoever is selected."

In response to the RFP, the SMSC received seven proposals from a broad spectrum of developers offering a total of nine different bids that included multiple rate structures.

“They were all really great proposals,” Graeter said. “I was happy with the developers’ meeting the requirements put out in the RFP for what needed to be included, and there were a lot of very competitive rates offered. We are not the first to do a collaborative RFP process, but so far it seems like it has been a big success for our towns. We’re hoping that either we or other regional organizations can help other municipalities navigate this process in the future.”

Solar uncertainty

In the last decade alone, solar has experienced an average annual growth rate of 42 percent, according to the Solar Energy Industries Association (SEIA). Thanks to strong federal policies like the solar Investment Tax Credit, rapidly declining costs, and increasing demand across the private and public sector for clean electricity, there are now more than 97 GW of solar capacity installed nationwide--enough to power nearly 18 million homes.

Solar has also ranked first or second in new electric capacity additions in each of the last eight years. In 2020, 43 percent of all new electric capacity added to the grid came from solar, the largest such share in history and the second year in a row that solar added the most generating capacity to the grid.

Maine serves as a microcosm of this national growth, with more than 1,330 MW projected to come online over the next five years. The surge can be attributed to policies like the state's net billing program, along with legislation passed in 2019 to reform Maine's Renewable Portfolio Standard, requiring the Public Utilities Commission to procure long-term contracts for new clean energy generation.

But Maine's solar future remains uncertain, with state lawmakers questioning whether incentives doled out for solar projects have been too generous and introducing legislation to eliminate the state's current net energy billing program altogether.

The move comes after state regulators reported that the proposed solar projects could translate into added costs of tens of millions of dollars annually to ratepayers' electricity bills.

In March, the Coalition for Community Solar Access pushed back against the PUC's projections, releasing a report revealing that the NEB program has generated significant economic activity across Maine, and on track to drive millions more in new investments.

At a recent public hearing before the Maine Legislature's Energy, Utilities and Technology Committee, developers expressed opposition to the proposed elimination of the program, which they say puts millions of dollars in state solar investments at risk.

While the SMPDC is keeping an eye on the proposed policy changes, Graeter is confident of the support distributed generation continues to garner across the state.

"We're aware of the different bills being proposed and the potential changes to the NEB program, but right now it's really hard to know what will actually happen," she said. "A number of towns have signed onto NEB contracts all over Maine, so I think they are hopeful that those projects will stay in place. I think what is most likely to happen is there might be some changes to the program and maybe those contracts already in place will be grandfathered in, and future contracts will have to go under the modified version of the program. But I do not think distributed generation in Maine is going to go away. There's too much support for it, not only from larger commercial and industrial customers like municipalities, but also from residents in Maine."