CONNECTING TO THE GRID

WHAT'S INSIDE — November 2011

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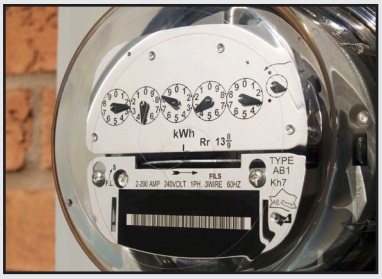
Editor: Laurel Varnado

NC Solar Center, NC State University



ABOUT THIS NEWSLETTER

While customer-sited net metering and interconnection policies are primarily addressed at the state level, they are also becoming important on a regional basis. This newsletter has been designed to provide state-level policy updates and capture emerging regional trends. *Connecting to the Grid* is a free, electronic newsletter published each month by the Interstate Renewable Energy Council (IREC) and the North Carolina Solar Center at North Carolina State University. Click here to subscribe.

Please direct comments and questions about the newsletter to Laurel Varnado at lavarnad@ncsu.edu.

A VERITABLE FEAST OF COMMUNITY RENEWABLES

For this month of Thanksgiving, I thought I'd bring you an update on one of our most neighborly news topics: community renewables and meter aggregation. There's been so much happening lately that it's difficult to keep up with all of it. There are also a lot of ongoing dockets pertaining to community renewables, so even after the laws get signed, there's still quite a bit of work to do before tariffs are in place and it's legal to engage in these fun, new policies. There are as many variations on community renewables as there are policies, but I usually consider community renewables to include most types of net metering expansions such as joint billing, meter aggregation and virtual net metering, among others. A few recent regulatory updates of note:

Colorado Solar Gardens - Back in June of last year, Colorado enacted the Community Solar Gardens Act, which defined a solar garden as a community-owned solar array with at least 10 grid-connected "subscribers" within Xcel or Black Hills Energy territory. Each subscriber would own or lease one or more solar panels, and receive credit for electricity the panels produce. The Public Utilities Commission still has yet to finalize rules for this legislation but that hasn't stopped towns and cities from going ahead with their own version of solar gardens. Colorado Springs recently announced the approval of a solar garden to serve its city's residents and several other Colorado cities, towns and counties including Boulder, Antonito and Saguache County are also in the solar garden planning process.

Maryland Meter Aggregation – Also in 2010, Maryland enacted HB 801, which specified that a PSC technical working group should be created to evaluate meter aggregation possibilities in the state. While not a direct mandate to adopt meter aggregation, the PSC has taken the reins and meter aggregation now appears to be a likely addition to the state's policy. The PSC working group is continuing to work out some of the details surrounding net metering (concerning, among other things, whether net metering systems need to follow the PJM interconnection process—let's hope not) but the utilities have thus far issued draft tariffs that allow meter aggregation.

California Virtual Net Metering – Over the summer, California expanded its existing virtual net metering from affordable housing to all multi-tenant buildings, so long as net metering bill credits are only shared among accounts under the same service delivery point (SDP). The SDP is defined as the demarcation between the customer-owned electrical system and the utility distribution system. Typically, each multi-tenant building has one SDP that then serves multiple tenants or utility accounts.

Delaware Community Renewables – In July of last year Delaware enacted S.B. 267 that allowed both meter aggregation and community-owned systems. Eleven months later the Delaware PSC adopted those legislative changes, which became effective this past July. According to Delmarva's tariffs (pages 113-124), customers who have multiple meters may aggregate them for the purposes of net metering, regardless of the meters' physical location or rate class. Additionally, several customers may jointly benefit in a single 'Community Energy Facility' so long as the system does not produce more than 110% of the group's annual aggregate electrical consumption (or 25 kW for each of the residential customers, 2 MW for commercial and 100 kW for individual

farm customers). Under the current tariffs, these systems must go through the PJM interconnection queue but this point is still being negotiated. Customers will be paid out monthly for any net excess generation at the customer's supply rate, unless they live on the same distribution feeder as the system, in which case they'll also get the volumetric kWh delivery rate.

Perhaps because most policies are so different at this point, community renewables are really proving that they can stimulate growth and innovation in *local* economies. In states like Colorado and Delaware, we're seeing businesses sprouting up to address the unique needs of crediting energy from community solar arrays, banks offering community solar loans and other types of novel enterprises being created. For more information on how solar is affecting job growth and development, check out The Solar Foundation's recent Solar Jobs Census 2011. Hopefully that will bring us all some early holiday cheer!

Best,

Laurel Varnado

Community solar installation in Rifle, CO

STATE NEWS IN DETAIL

NORTHEAST STATES

NEW YORK

The New Yorks Public Service Commission is considering a tariff filing by Central Hudson Gas & Electric Corporation to 1) consolidate existing net metering provisions in order to improve customer understanding and utilization of the utility's tariff, as well as ease the administrative burden resulting from required compliance with changes to net metering laws and regulations; and 2) revise the billing provisions applicable to demand metered customers to reflect situations where customers may be subject to the Hourly Pricing Provision ("HPP") of the utility's tariff.

At the present time Central Hudson Gas and Electric believes that there could be three customers subject to the provisions of the HPP that may be impacted by the revisions applicable to demand metered customers.

This filing also reflects the expansion of net metering to customers with farm service wind or farm waste generators who wish to engage in remote net metering (as allowed by June 2011 legislation, AB 6270).

Public comment will be received until: 45 days after publication of this notice.

The proposed tariff amendments have an effective date of January 1, 2012. The PSC may adopt in whole or in part, modify or reject Central Hudson's proposal, and may apply its decision to other utilities.

For more information, see NY PSC Case number 11-E-0524.

MID-ATLANTIC STATES

MARYLAND

Maryland officials are launching a major new initiative to support the construction of new natural gas generating capacity, and the governor's office seems poised to expand the initiative to include renewable energy. News of the initiative came when the Maryland Public Service Commission (PSC) ordered each of the state's electric distribution companies (EDCs) to issue a Request for Proposals (RFP) for developers to build up to 1,500 MW in natural gas-fired generation in the state. Maryland Governor Martin O'Malley, in a recent letter to the PSC, reaffirmed and sought to expand the RFP to include renewable energy. However, the PSC's action could face legal and regulatory challenges such as those confronted by similar initiatives, most notably New Jersey's long-term capacity agreement pilot program (LCAPP).

In a letter dated October 20, 2011, Maryland Governor Martin O'Malley urged the PSC to expand the scope of the RFP. In essence, the Governor proposed that the RFP "eliminate … natural gas exclusivity" by allowing bids from projects using renewable energy resources, that it require an "apples to apples" price comparison among competing resources (including renewables), and that it allow bids for utility-owned generation. Renewable and natural gas resources are complimentary, the letter said, because natural gas provides a hedge against intermittency in renewable resources and renewable resources provide a hedge against potential future increases in the price of gas. In sum, O'Malley asserted that "limiting the RFP … to natural-gas fired facilities is not in the public's best interest," and that the RFP should be broadened, or a new should RFP be issued with an expanded scope.

Source: Ballard Spahr LLP

VIRGINIA

Residents and small businesses who have installed relatively large solar arrays may find that, instead of saving money by getting off the grid, they may face a new $60 per month charge for not using power from Dominion Virginia Power's coal-fired plants.

Dominion recently took its request for a "stand-by" fee to the State Corporation Commission in Richmond. "Dominion's charge would be so high it would make it uneconomic to install these larger systems, essentially destroying the market for them," said Ivy Main, renewable energy chair of the Virginia Sierra Club.

The charge, which the Virginia General Assembly explicitly allowed in legislation passed last year, would apply to people who generate between 10 and 20 kilowatt hours of electricity.

"The standby charge is a matter of fairness," said David Botkins, a spokesman for Dominion Virginia Power.

"The sun doesn't shine at night; the wind doesn't always blow. It would be unfair for customers who don't have these systems to have to pay the infrastructure costs for those who do. The charge lets Dominion recover costs for serving the customers whose alternative energy system does not provide the power they need."

Dominion said that without the standby charge, a resident with a 20-kilowatt system would be charged only about $8 per month, although the fixed infrastructure cost is the same as for any other customer. In testimony before the State Corporation Commission, a Dominion executive said the company wants to put the fee into effect April 1. The public comment period about the request is open until Dec. 1; the case number is PUE-2011-00088.

Dominion plans to shut down two older coal-fired plants, an action that drew praise from the Sierra Club activists. But they objected to the failure of the utility to invest more heavily in solar, wind and other non-fossil-fuel energy.

Dominion officials said the company has more than 400 megawatts of alternative, renewable energy in its portfolio, mainly run-of-river hydroelectric power stations and the largest wood waste power station in the United States. Dominion Virginia Power is also studying the possibility of building a 4 megawatt solar facility in Halifax County, Va. Dominion Resources, its parent company, co-owns two large wind farms in Indiana and West Virginia.

Source: Washington Post

Dominion was also in the news recently when it announced plans to get into the community solar business. The company has asked the Virginia State Corporation Commission to approve a multi-year pilot program to expand the company's understanding of community-based solar energy development. The utility plans to lease 30-50 sites on rooftops and grounds of commercial businesses and public facilities for community-owned photovotaic (PV) systems. The systems will generate enough electricity to power about 6,000 homes.

The utility hasn't named specific locations for the systems, but at least four of the sites would be in community settings, such as local government buildings, schools, community associations, neighborhood associations or nonprofit organizations. While details of the program remain to be sorted out, the company says it would own and operate the PV systems, and program participants would receive credit for leasing space for the installations. A web-enabled monitor at the facility would display information about the installation's output, and the utility would report the study results of each project to the commission annually.

In response to legislation promoting distributed solar energy generation, Dominion also plans to offer a standard tariff rate for solar energy. The Community Solar Power Program tariff would give customers the opportunity to sell solar generation output and renewable energy certificates (RECs) to the company under a set rate per kilowatt-hour, as an alternative to net metering. Solar energy generation capacity under this program would not exceed 33 megawatts.

Source: Earth Techling

MIDWESTERN STATES

ILLINOIS

On Halloween, Illinois Senate Bill 1652 became law, making significant changes to the IL net metering statute. The bill had been vetoed on September 12 by Governor Quinn but was overridden by the House and Senate. The bill nominally moves the net metering cap from 40 KW to 2 MW, but because of other restrictions tied to Customer Class definitions, size-to-load requirements and technical limitations, the actual impact of this is negligible. Furthermore, since only customers in non-competitive classes are eligible for net metering, and all customer classes are expected to be declared competitive within 2-3 years, this legislation essentially sunsets net metering in Illinois for all customers within a relatively short time frame.

Eligibility requirements and payment/credit assignments per customer type are detailed below. In a nutshell:

(1) All non-competitive customer classes are eligible for net metering with net excess kWh credited at a value dictated by the underlying retail rate. For residential customers and watt-hour non-residential (very small commercial customers <2000kWh monthly use), the per-kWh retail rate includes energy supply costs plus delivery charges, taxes and other fees. For small commercial customers (<100KW demand), the per-kWh rate only includes energy supply costs and taxes. Delivery charges and other fees are embedded in a demand-based (per-KW) rate and are not eligible for net metering credit.

(2) All customers in classes that have been declared competitive (>100KW

demand) are credited for net excess energy at the electricity provider's avoided cost rate for energy supply, or at a time-of-use rate – whatever the contract term would dictate if the customer were not a generator.

In Illinois, a customer class is eligible to be declared competitive when 33% of customers have switched to an alternative retail electric supplier (an ARES). As of November 2011, all non-residential classes with over 100KW of load have been declared competitive. To put this in perspective, any commercial entity the size of a CVS or Walgreens and above will have a peak demand well over 100KW and is already in a competitive customer class. Of the remaining non-competitive classes, 23% of the small commercial class (<100KW load), 13% of watt-hour non-residential class (<2000kWh/month) and 3.3% of the residential class have already switched to an ARES. Switching rates have been rapid over the last year and the pace is only expected to accelerate as more competitive suppliers enter the market and municipal aggregation becomes more common. The legislation is silent on the question of what happens to existing net metering customers when a customer class is declared competitive and the terms under which they are eligible for net metering change.

How does this compare to the previous generation of the net metering statute? Significantly, any customer with >100KW load is no longer eligible for retail-rate net metering, regardless of system size. In the previous iteration of the statute, all customers were eligible for retail-rate net metering for systems 40KW and below. Residential and small commercial customers are now nominally eligible for systems up to 2MW, but because of roof-space limitations, service panel technical limitations, and size-to-load limitations, this change is effectively meaningless. The new language also effectively includes a sunset clause for now-eligible classes because their eligibility ends when they are declared competitive. The new language caps total net metering participation at 5%, rather than 1% in the previous original statute. The meter aggregation language has not materially changed.

Source: Madeleine Weil, Environmental Law & Policy Center

MICHIGAN

On November 1, the Michigan Public Service Commission (MPSC) staff issued its net metering and solar pilot program report, which shows that the number of net metering customers in Michigan increased 147 percent over the previous reporting period. This year's report was expanded to include information on the solar pilot programs offered by Consumers Energy and Detroit Edison. Last month, Michigan's net metering program received a grade of "A" for the second consecutive year as noted in Freeing the Grid, a policy guide that grades states' net metering programs.

"Solar was where the action was in 2010 for Michigan net metering customers," noted MPSC Chairman John D. Quackenbush. "Most of the increase in net metering in 2010 was because of the popularity of Detroit Edison's customer-owned SolarCurrents program. Between solar, wind, and hydro, the total number of net metering customers in Michigan now stands at 628, and they are located throughout the state."

The report issued noted that the number of net metering customers increased from 254 in 2009 to 628 in 2010. Solar proved the most popular with 300 additional customers in 2010; wind followed with 74 additional customers in 2010.

Source: Michigan PSC

SOUTHERN STATES

GEORGIA

On October 18, Georgia Public Service Commissioner Lauren "Bubba" MacDonald issued a call for more renewable energy in the state. He made the following statement in a PSC Administrative Session:

"I've watched closely as the solar industry in Georgia has evolved around us. Solar panels have become more efficient and the cost for a solar installation has fallen dramatically over the past few years. Just this year alone I've watched as solar panel costs have fallen from $1.80/watt to $1.20/watt. This represents a 33% reduction in panel cost in only 10 months. These technological advancements and cost reductions are a byproduct of innovation and market demand. Solar energy in Georgia has reached grid-parity.

"The recent motion by the Georgia Public Service Commission to expand the amount solar energy by 50MW's (a 1200% increase) represents our careful consideration of these facts on the ground. Yet we have fallen short on addressing critical elements of any renewable energy project. The most obvious of these are the Renewable Energy Credits (RECs). Historically ratepayers were taxed through their electric bills to raise and guarantee the capital for Georgia Power to build the

'centralized generation capacity' that has served Georgia so reliably for almost 100 years.

"Currently RECs from Georgia are undervalued because Georgia does not have a Renewable Portfolio Standard (RPS). An RPS would help set a market value for these RECs. Thus in a State without a RPS, a REC's value is speculative and un-bankable. That uncertainty creates underlying problems for financiers and businesses to invest in solar projects in Georgia. If a Georgia REC had a value as low as $0.04, you would see more capital mobilizing to install solar energy in GA with NO upward pressure to ratepayers.

"Subsidizing 50MW's of solar projects would cause upward pressure of only $0.05 per ratepayer per month. I believe the Commission should further investigate how legislation or action by the Commission could help set a value to Georgia RECs at $0.04. If we achieve this low REC value, which is less than the value of RECs in New Jersey, Ohio, Maryland and other states who are currently aggressively implementing solar, we will have acted in the best interest of our state and for generations to come."

Source: Georgia PSC Press Release

WESTERN STATES

CALIFORNIA

In California's sunny San Diego region, where the PV installation market is thriving, a proposed revised rate structure from utility San Diego Gas & Electric (SDG&E) could have grave consequences for the solar sector.

New fees, which the utility says are designed to divide operational costs among solar-owning and non-solar-owning customers more equitably, would make the economics of system ownership impractical and harm the PV business in SDG&E territory, according to local installers and other stakeholders.

More worrisomely, proposal opponents also fear that if SDG&E gets its way, the utility's plan will set a dangerous precedent for other utilities in California and beyond - effectively throttling the U.S. distributed-generation market.

In October, SDG&E requested that the California Public Utilities Commission (CPUC) approve a new plan under which - among other changes - net-metered PV customers would be subject to a "network use charge."

"Currently, [net-metered] customers do not pay their fair share of the costs that SDG&E incurs to provide them service, including costs associated with the export of the customer's generation to the distribution system," the utility wrote in its CPUC filing.

The network use charge is designed to "recover all customer use of the distribution grid on an import and export basis," explained Cynthia S. Fang, electric rates manager for the utility, in testimony accompanying the filing.

Existing net-metering law prohibits utilities from imposing new charges exclusively on solar customers. So, instead, SDG&E is creating a loophole by applying the network use charge to all customers, says Daniel Sullivan, founder and owner of San Diego-based residential and commercial PV installer Sullivan Solar.

According to Sullivan and his industry colleagues - many of whom have joined him in a grassroots group called San Diego Solar Coalition - the charges would drastically change a PV-owning customer's cost equation. The more solar power a customer produces and provides to the grid, the higher the charges will be.

To Sullivan and the rest of the San Diego Solar Coalition, SDG&E's proposal represents an effort to create a revenue stream from solar installations that already provide financial benefits to the utility. Existing revenue sources include charging full rates for transmission and distribution when power is actually being directed locally, as well as selling PV owners' exported kilowatt-hours at much higher prices than what was paid through net metering.

"The local utility is already being subsidized by more than 12,000 solar power producers in the region," the coalition wrote in a letter to local elected representatives. "The proposed new charges have the potential to develop millions of dollars in annual revenue for SDG&E while incurring no additional costs."

At a recent stakeholder meeting, Sullivan asked the utility whether it has incurred any costs to date for the 100 MW-plus of installed solar power currently on SDG&E's grid. The response, he said, was no. SDG&E, for its part, has maintained that its rate proposal is designed to hedge against expected future losses created by the local PV market's projected growth and lower consumption levels of electricity from the utility.

The CPUC is expected to issue a decision on the SDG&E case next March. Approval of the proposal could have a dangerous ripple effect. Sullivan says utilities across the U.S. are keeping a close eye on SDG&E's outcome and could plan to roll out similar fees nationwide.

Source: Solar Industry

NEVADA

On October 10, the Nevada PUC filed a proposed regulation that would amend the state's net metering regulations in accordance with Assembly Bill 359, passed in June of this year. The bill changed a meter provision in the law, specifying that net metering may be accomplished using a single bi-directional meter for systems up to 25 kW. Previously the law allowed bidirectional metering for systems up to 100 kW.

When this modification is adopted, utilities will be able to require customer-generators over 25 kW to install, at his or her own expense (or at a cost which is negotiated between the customer-generator and the third- party system owner or operator), a meter that is capable of measuring generation output and customer load. Additionally, a utility may require these customers to pay for any upgrades to the utility's system, excluding standby charges, which are required to make the customer's system compatible with the utility's system.

See Rulemaking Docket number 11-07021 on the Nevada PUC website for more info.

OTHER STATES

HAWAII

The global renewable energy community will be watching Maui for the next few years, as officials test cutting-edge technology designed to allow utilities to incorporate more wind and solar power into their electrical grids.

The multimillion-dollar Maui Smart Grid Project brings together a host of government agencies and private-sector energy companies from the United States and Japan in an unprecedented effort to mitigate one of the biggest barriers to greater use of alternative energy sources: their unpredictable nature.

Wide swings in energy output from wind turbines and solar panels can cause problems for electrical grids, which were designed and built to distribute energy generated by firm sources, like oil-fired power plants.

The Maui project will tackle the problem on all fronts using a variety of technologies and devices to smooth fluctuations in energy output and a two-way communication system that will allow the Maui Electric Co. to monitor how much renewable energy is being generated at any given moment and give the utility the ability to turn off homeowners' appliances during peak electrical loads.

"In several ways, pieces of this project are pretty cutting-edge," said James Griffin, project director for institute. "Concepts that people have talked about will be tested for the first time in a live setting."

Mark Glick, administrator of the state Energy Office, said the project is another example of where Hawaii is taking the lead in renewable energy development.

"Since Hawaii is being used as a test bed by the Department of Energy, the Department of Defense and the Department of Agriculture, a lot of international firms have recognized this and would also like to use the state as a test bed to plant their seeds," Glick said.

Gov. Neil Abercrombie has planned a Nov. 22 ceremony where all parties will sign a memorandum of understanding for the project.

MECO said the project will include installing smart controls at its facilities in the Kihei area at regional and neighborhood levels. The technologies include distributed control systems that

UPCOMING EVENTS

Renewable Energy Markets Conference
San Francisco, CA
Nov 15 – 18, 2011

Distributed Solar Summit
San Diego, CA
November 30

ACORE Phase II National Policy Conference
December 6-7
Washington, D.C.

Solar Power-Gen Conference & Expo
February 14-16
Long Beach, CA

PV America West
March 18-20, 2012
San Jose Convention Center
San Jose, CA

Have a renewable energy event you'd like us to list? Let us know.

will manage resources such as smart inverters to regulate output of photovoltaic systems, load control devices and controls to manage electric vehicle charging stations and battery storage systems.

The project also will help prepare the Maui grid for widespread adoption of electric vehicles using an advanced charging management system to connect MECO system controls with charging stations islandwide. The utility said that will allow it to actively manage electric vehicle charging to balance generation and load.

Source: HI Star Advertizer

IREC NEWS

Freeing the Grid 2011--Download your copy today!

Never a slow moment in U.S. solar policy news these days. On October 20, the Network for New Energy Choices, Vote Solar, IREC and the NC Solar Center released Freeing the Grid 2011, our fifth annual report card on state net metering and interconnection policies. Together these two policies empower Americans to generate their own electricity from solar and other renewables. And the good news is states of all shapes, colors and political persuasions continue to embrace these fundamentals of a strong distributed renewable market. We're also particularly pleased to note that the report methodology was used by the U.S. DOE in scoring Sunshot, their exciting initiative to lower the cost of going solar in the U.S. by 75% by 2020 – further recognition of the important role that these wonky-but-critical state policies play in making solar cost effective for energy consumers.

"It is clear that our nation's states can and will continue their proud role as the growth drivers of America's new energy economy. Renewable energy has strong support from state policymakers and the citizens they serve. That support is not restricted to any particular party affiliation or geographic location. It is bi-partisan, it is pervasive, and it is no surprise. If there's one thing Americans in all our diversity can agree on, it's that we can do better with our energy choices. Freeing the Grid outlines a better path forward," said Vote Solar's own Adam Browning.

Without any further ado, Freeing the Grid 2011 report highlights include:

In 2011, 17 states received top "A" grades for their net metering policies, up from 15 in 2010 and only 5 in 2007. In 2011, 23 states received "A" or "B" grades for good interconnection practices, up from twenty in 2010, and a tremendous improvement over the single "B" grade awarded in 2007.

Head of the Class: Massachusetts and Utah received top "A" grades in both policy categories for the second year in a row. In 2011 they are joined at the vanguard of best practices by Delaware, which made particularly impressive improvements to its interconnection practices from last year's "F" grade.

Shows Promise: A number of states received an "A" in one category and a "B" in the other making them strong distributed renewable energy markets that have continued room for improvement: California, Colorado, Connecticut, Maine, Maryland, New Jersey, Oregon, Pennsylvania, Virginia, and West Virginia.

Most Improved: Indiana made impressive year-over-year improvements, from a "D" in net metering and "C" in interconnection in 2010 to solid "B"s in both categories this year.

"The age of grid parity is upon us—in some places in the country, you can generate your own electricity with solar and wind more cheaply than buying dirty power from your utility. It's truly the democratization of energy, but it only works if you have access to the plug and if you get fair credit for generation. Poor interconnection and net metering policies can stand in the way of building a sustainable, growth industry. Ensuring that residents and business have fair access to the grid and get fair credit on their utility bills are two simple but highly effective ways to unleash renewable energy growth," said Kyle Rabin, Executive Director of NNEC.

Source: Vote Solar

MISCELLANEOUS NEWS

Assessing the Role of Distributed Power Systems in the U.S.

The Brookings and Hoover Institutes have jointly published a report titled Assessing the Role of Distributed Power Systems in the U.S. Power Sector. The U.S. power system is the backbone of the country's economy. Yet, with growing stress on the aging existing electricity grid, increasing integration of information technology with the power sector infrastructure, and an imperative to reduce the environmental impact of power generation, the system faces an unprecedented range of economic, environmental, and security-related challenges. The situation has given rise to increased interest in the potential for Distributed Power Systems (DPS): a combination of distributed sources of power

production, and distributed energy storage. This study examines the economic, environmental, and energy security case for DPS. It finds that increased penetration of DPS has the potential to make a significant positive contribution to the US power system. It also finds a strong case for DPS as a resource for the defensive and offensive operations of the U.S. military.

State governments should take a lead in DPS-specific policy making. They should use policy tools that differentiate between DPS systems according to size. For small-scale customer generation, state regulators and energy planners should encourage net metering, reduce technical and non-technical barriers to interconnection, and implement pricing mechanisms that accurately value the power produced from DPS. For larger systems that sell power into wholesale markets, state policy makers should adopt limited financial incentives aimed at increasing the competitiveness of DPS over time. Stakeholders agree that storage and combined heat and power (CHP) have particular potential for improving the efficiency and economics of the U.S. power sector and, therefore, should be priorities for targeted policy support.

The increased penetration of DPS has the potential to make a significant positive contribution to the U.S. power system and to the energy needs of the U.S. military. As policy makers strive to meet the challenges of the power sector in the 21st century in an economic and environmentally responsible way, this paper provides them with a set of options for realizing that potential.

Source: Brookings Institute

Report: Reviving PURPA's Purpose

The Federal Energy Regulatory Commission (FERC) needs to build on its recent decisions to encourage the development of alternative power technologies, says a new report titled, "Reviving PURPA's Purpose."The report was authored by attorney and federal energy policy expert Carolyn Elefant and commissioned by the Southern Alliance for Clean Energy.

While the past decade has seen a burst in state energy policy leadership, FERC is responsible for guaranteeing nationwide access to the electric grid: entrepreneurs and established businesses who want to develop renewable energy resources depend on PURPA to sell their product in many areas of the country.

In October 2010, a FERC decision brought this topic to the front burner, offering states more flexibility in how to use "avoided costs" to calculate the rates that many utilities must offer to small renewable energy and cogeneration facilities. (Cogeneration most often occurs at industrial facilities, where both heat and power are generated using the same equipment.) Using FERC's California Public Utilities Commission decision as a starting point, Elefant recommends that FERC reaffirm and expand upon states' ability to set resource-specific avoided cost rates under the Public Utility Regulatory Policies Act (PURPA) and consider other factors such as avoided environmental costs.

"Reviving PURPA's Purpose" provides a comprehensive review, the first in more than a decade, of the different ways by which state regulators calculate avoided cost rates for QFs under PURPA. Based on this review, the report found many alternative-energy developers are unable to capitalize on PURPA's benefits in light of the complex and difficult nature of avoided cost ratemaking at the state level. Further complicating the problem, in some states like Florida, utilities are vested with broad latitude in determining the data inputs for avoided cost calculations, which creates inconsistency and puts even more downward pressure on avoided cost rates.

Source: Southern Alliance for Clean Energy