Shaping our future with clean energy

Quick Reference Guide

Shared Renewable Energy for Low- to Moderate-Income Consumers: Policy Guidelines and Model Provisions

As more Americans gain access to affordable renewable energy, and as more "shared" and "community" solar programs crop up across the country, states and other stakeholders are asking the question: **How can we bring shared renewable energy opportunities to our low and moderate income (LMI) residents?**

IREC's ***Shared Renewable Energy for Low- to Moderate-Income Consumers: Policy Guidelines and Model Provisions*** provides information and tools for policymakers, regulators, utilities, shared renewable energy developers, program administrators and others to support the adoption and implementation of shared renewables programs specifically designed to provide tangible benefits to LMI customers.

The guidelines and accompanying model provisions are intended to function in tandem with IREC's existing ***Model Rules for Shared Renewable Energy Programs***, which have helped guide and inform numerous state and utility shared renewable energy programs to date.

This Quick Reference Guide provides a summary of the key components of the guidelines and model provisions, along with references to the relevant sections and page numbers within the main report.

Identifying LMI Customers and Designing Facilities to Serve LMI Customers

Identifying LMI Customers

- IREC uses "low- to moderate-income" or "LMI" throughout the guidelines, however different terminology (e.g., affordable housing, disadvantaged, underserved, minority and frontline communities, and communities of color) may be more appropriate depending on the focus of a particular program.
- If income-based criteria are used, it is important to note that low-income and moderate-income customers have different circumstances. Different program design approaches may be necessary to more effectively reach the range of customers within the LMI category.

IREC Recommendations and Model Provisions	Quick Reference Guide
✓ Include "moderate-income" earners (120% of Area Median Income (AMI)), as well as "low-income" customers (80% of AMI). ✓ Incorporate socioeconomic and environmental factors into LMI eligibility to allow for flexibility in program design, depending on a particular program's goals and target customers.	✓ *Guidelines Section I.A (p. 5-6)* ✓ *Model Provisions Section I. Definitions:* o *Section I.h (p. 36)* o *Section I.i (p. 36)* o *Section I.j (p. 36)* o *Section I.m (p. 37)*

Designing Facilities to Serve LMI Customers

- It is necessary to define what constitutes a shared renewables facility intended to serve LMI customers (an "LMI facility"), especially because the customer composition in a facility directly affects facility financing.
- The higher the LMI participation rate in an LMI facility, the greater the need for incentives and other financing tools to ensure program success due to the financial barriers faced by LMI customers.
- Facilities focused on serving LMI customers may need to rely on another customer or group of customers to serve as "anchor" participants in a facility, who can serve to mitigate some of the credit and other financial issues faced by LMI customers.
- Program and policy goals and metrics for LMI customer participation rates should be as specific as possible to help garner buy-in from all involved stakeholders, including LMI advocates, project developers, lenders, utilities, and program administrators, as well as determine the appropriate level of incentives and/or financial tools needed to achieve the goals set forth.

IREC Recommendations and Model Provisions	Quick Reference Guide
✓ Specify that the majority of the LMI Facility should be comprised of LMI participants (at least 60% LMI participation). This recommended ratio of LMI to non-LMI customer participation is intended to ensure that the facility is dedicated to serving and benefiting a meaningful number of LMI customers. ✓ Adjust the LMI percentage on a program-by-program basis, depending on available incentives, financing tools and mechanisms, and other specific circumstances. **The viability of a 60% LMI facility is inextricably tied to financing issues.**	✓ *Guidelines Section I.B* (p. 6-10) ✓ *Model Provisions*: o *Section I. Definitions:* ▪ *Section I.d (p. 35)* ▪ *Section I.t (p. 37)* o *Section IV. Additional Financing Considerations (p. 40-41)*

Addressing LMI Participation Barriers and Opportunities through Targeted Program Design

Financial Barriers

- Financial barriers to LMI participation in shared renewable energy facilities include: **lack of access to the capital or sufficient credit; competing critical economic priorities; lack of tax appetite; and participation in discounted electricity rate assistance programs.**
- In addition to directly offsetting costs for participants or providing access to credit, the availability of financing tools and mechanisms may lower costs for LMI facilities such that facilities could decrease the subscription price or offer discounted subscriptions to LMI participants.
- Financing and incentive options include:
    - Those targeting LMI participants, such as direct incentives, loan programs, and credit enhancements, alternative and hybrid underwriting criteria; and
    - Those targeting LMI facilities and LMI participant organizations, such as anchor subscribers, back-up guarantees, direct incentives, tax incentives, loan programs, credit enhancements, and low-cost public financing.
- Financing mechanisms may require new funding sources or a reallocation of existing funding streams. Financing tools should aim to address LMI barriers and support programmatic goals.

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Financial Barriers continued

IREC Recommendations and Model Provisions	Quick Reference Guide
✓ Implement at least one financing tool or mechanism to facilitate LMI participation. The Model Provisions are not prescriptive on which mechanism(s) should be used. ✓ Balance the availability of these tools and mechanisms with other program design parameters, including in particular the eligibility criteria for an LMI facility. ✓ Address the *minimum participation term for LMI customers* and the *valuation of bill credits*. These are key program design components that impact the financial proposition of participation in a program. ✓ Specify that an LMI participant owns the Renewable Energy Credits (RECs) associated with the electricity allocated to the LMI participant's subscription, unless otherwise specified through separate transaction.	✓ *Guidelines:* o *Sections II.A (p. 11-14)* o *Sections III.A (p. 21-29)* o *Sections III.B (p. 30-34)* ✓ *Model Provisions*: o *Section III. Bill Credit (p. 40)* o *Section IV. Addt'l Financing Considerations (p. 40)* ✓ *Appendix – CleanCARE Proposal (p. 44)* ✓ *Case Studies:* o *New York Green Bank (p. 20)* o *NY SUN Affordable Solar (p. 31)* o *California's Multifamily Solar Programs (p. 22-24)* o *Massachusetts Solar Loan Program (p. 26)* o *Grand Valley Power and GRID Alternatives Low-income Community Solar Projects (p. 28)* ✓ *IREC's Shared Renewable Energy Program Model Rules* (for a more detailed discussion of bill credit valuation)

Ownership Barriers and Split Incentives

- Many LMI customers live in rentals, affordable housing, and/or multifamily housing. Although shared renewable energy programs can help to address some split-incentive barriers for these LMI customers, especially if shared facilities can be located off-site, certain other barriers remain.
- Participation may require cooperation by a landlord or the entity responsible for the master meter; split incentives may exist between renters and landlords, in terms of motivation to participate and allocation of direct benefits on electricity bill.
- Affordable housing may impose additional restrictions and policy challenges related to how energy savings can be translated to beneficial impacts on tenants' rents or utility allowances.
- Higher rates of mobility among LMI customers may require additional flexibility in program design, including options to transfer or assign subscriptions as well as adjusting the meter or account to which benefits are allocated.

IREC Recommendations and Model Provisions	Quick Reference Guide
✓ Allow an LMI facility to be hosted on-site or located off-site, as a stand-alone facility. ✓ Allow master-metered multitenant buildings to participate but require that the beneficial impact for tenants must be demonstrated, whether direct (e.g., tenant bill or other cost savings) or indirect (e.g., overall building savings translated to tenant savings and/or improved tenant services). ✓ Educate customers about efficiency and other retrofitting opportunities available to LMI customers. Taking advantage of these opportunities may lower the ultimate subscription need and associated cost. ✓ Allow subscriptions in an LMI facility to be transferred or assigned. ✓ Allow participants to change the individual meters or accounts to which the LMI facility's electricity generation is attributed for that participant. ✓ Take into account split incentives and other related barriers that may be outside the scope of shared renewables program design.	✓ *Guidelines Section II.B* (p. 14) ✓ *Model Provisions:* o *Section I. Definitions:* ▪ *Section I.d (p. 35-36)* ▪ *Section I.j (p. 36)* ▪ *Section I.k (p. 37)* ▪ *Section I.l (p. 37)* ▪ *Section I.t (p. 37)* o *Section V. Marketing, Education & Outreach* ▪ *Section V.c (p. 41)*

Marketing, Education, and Outreach Barriers

- Identified marketing, education, and outreach (ME&O) barriers that may prevent LMI customers from being aware of and/or understanding shared renewables programmatic and financing options include: **language barriers; lack of Internet access; constraints on resources and time; consumer skepticism; unclear or complicated eligibility criteria; and difficulty demonstrating eligibility**.
- Customers will need to be appropriately educated regarding eligibility criteria, and obtaining and retaining eligibility should be made as easy as possible. In some cases, it may make sense to tie eligibility to an existing program, such as a state or federal assistance program.
- All marketing and education materials should be designed with the needs and priorities of LMI customers in mind to effectively speak to and reach the LMI target audience.

IREC Recommendations and Model Provisions	Quick Reference Guide
✓ Ensure that LMI customer ME&O materials are culturally and linguistically appropriate. ✓ Educate customers regarding eligibility criteria. ✓ Once eligibility is established, do not require LMI participants to prove eligibility on an ongoing basis, unless the customer renews or signs a new contract. ✓ Require an LMI participant organization to contract with a partner organization to administer ME&O for LMI customers, if not a partner organization itself. ✓ Require, wherever possible, that existing materials and/or outlets targeting LMI customers be leveraged to minimize program costs and avoid customer confusion. ✓ Specify appropriate consumer protection requirements for LMI customers participating in LMI facilities. These requirements should balance the protection of LMI customers with maintaining program cost-effectiveness.	✓ Guidelines: ○ *Section II.C* (p. 15) ○ *Section II.D* (p. 16) ✓ Model Provisions *Section V. Marketing, Education & Outreach (p. 41-42)*

Opportunities for Engagement

- LMI customers and their communities have many characteristics that make them excellent partners in cultivating community action, including social capital (e.g., strong social networks), interest in civic engagement, community- and faith-based volunteerism, and the capacity to create innovative solutions to ensure that a shared renewables program meets their needs.
- Public-private partnerships focused on engaging, educating, and conducting targeted outreach to LMI customers regarding shared renewable energy programs can be highly effective and can help ensure long-term program success.
- With dedicated grants and funding sources, organizations already serving LMI communities may be well suited to assist with identifying strategies for engagement and recruitment, to host community workshops or trainings, and/or to advise on effective marketing and communications.

IREC Recommendations and Model Provisions	Quick Reference Guide
✓ Require an LMI participant organization to contract with a partner organization to administer ME&O for LMI customers, if not a partner organization itself.	✓ Guidelines *Section II.D (p. 16)* ✓ Case Studies: *Grand Valley Power and GRID Alternatives Low-income Community Solar Projects (p. 28)* ✓ Model Provisions *Section V. Marketing, Education & Outreach (p. 41-42)*