Inside EPA's
CLEAN ENERGY REPORT
EXCLUSIVE REPORTING ON THE ENVIRONMENTAL POLICIES TRANSFORMING THE ENERGY INDUSTRY

Solar Industry Urges Fixes To California Feed-In Tariff Contract Provisions

Posted: September 19, 2012

Solar power companies and environmentalists are urging California regulators to overhaul a renewable energy feed-in tariff (FIT) power purchase agreement form that the state's major investor-owned utilities (IOUs) are proposing, arguing the current plan likely will block several smaller solar projects from winning contracts.

FITs require utilities to buy renewable energy at above-market prices for fixed periods under contracts approved by CPUC. The tariffs are intended to create incentives for installing more renewable energy systems by making them more economically appealing to potential adopters of the technologies.

The California FIT program aims to help the state meet Gov. Jerry Brown's (D) goal of establishing 12,000 megawatts (MW) of distributed renewable power by the end of 2020. How the state resolves issues with the program is key, because it is considered a possible model for other states seeking to ramp up clean power generation to lower reliance on fossil fuels and to meet renewable portfolio standards (RPS) like California's RPS.

The California Public Utilities Commission (CPUC) is pursuing an RPS rulemaking to implement an expansion of the state's FIT program for renewable resources up to 3 MW in size. The state's three IOUs -- Pacific Gas & Electric Co., Southern California Edison and San Diego Gas & Electric -- will be subject to the new FIT, and must collectively sign contracts totaling at least 750 MW in the coming years.

The expanded program, required by the 2009 law SB 32 and the 2012 law SB 1122, primarily aims to enable the development and approval of small bioenergy, solar, wind and biomass projects that can connect directly to utilities' distribution systems. These include, for example, medium-size solar projects atop warehouse roofs.

CPUC is trying to finalize a "standard form contract" power purchase agreement (PPA) for the FIT program that the utilities must use. But the solar industry and renewable power advocates are criticizing the latest proposals from the utilities and seeking a number of significant changes.

For example, the Clean Coalition, a non-profit group that is backed in part by renewable power companies and advocates for strong FIT programs across the country, argues that "the utilities' proposed PPA and tariffs is a massive increase in complexity and burden when compared with the existing" program, according to Sept. 10 reply comments filed with CPUC. "In other words, the utilities' are seeking to go in exactly the opposite direction that SB 32 requires - and to an extreme degree."

The group says the utilities' PPA is five times as long and complex as the program's existing PPA, and is proposing a substitute PPA and contract for CPUC consideration. Supporting the Clean Coalition and echoing its concerns are the California Solar Energy Industries Association (CALSEIA), Solar Energy Industries Association (SEIA) and Sierra Club California.

For example, SEIA in Sept. 11 comments to CPUC argues that a requirement in the IOUs' proposed contract that a renewable power developer demonstrate in a bid that it has completed at least one project of similar technology and capacity and that this completed project be no more than 1 MW smaller than the new project being sought is unfair and should be rejected. "For example for a 3 MW project, a project of similar capacity cannot be smaller than 2 MW," according to at least one of the utility's interpretation of the contract, SEIA writes. This should be rejected by CPUC because "if a developer has completed another project within that size range then he should meet this viability criterion for the [new] program."

Telemetry Requriements

In addition, CALSEIA in Aug. 29 reply comments to CPUC argues that telemetry requirements placed on project applicants under the IOUs' proposed contract are excessive. Telemetry generally refers to technology used by utilities and power companies to monitor system operations from specialized meters and transformers that can send data over the power lines or via radio links, according to documents.

"The telemetry requirements are some of the most onerous contained within the contract," CALSEIA states. "The costs of ongoing telemetry alone could make smaller projects uneconomic. As such, CALSEIA agrees with the Clean Coalition that for projects 1 MW or smaller the buyer should assume telemetry costs should telemetry be required."

The Sierra Club echoes the comments by Clean Coalition, SEIA and CALSEIA in its own Sept. 10 comments to CPUC.

The groups are supporting the Clean Coalition's alternative contract proposal. This model PPA "provides a simplified contract based on previously used, workable contracts," CALSEIA states. It also provides "reasonable requirements ir recognition of the market realities of smaller generation projects, especially those under 1 MW. We urge the commission to significantly modify [the contract] as highlighted in previous comments and redlines or to reject said contract and instead use the model PPA as proposed by Clean Coalition."

And the Sierra Club adds that the Clean Coalition plan would help projects under 1 MW win utility contracts. "Sierra Club California believes that these projects amount to valuable resources to the generation and distribution grid, but that they are in a disadvantaged position entering into traditional RPS procurement due to the high transaction costs proportionate to the smaller project size," the organization states in its reply comments to CPUC.