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CPUC issues proposed modifications to California feed-in tariff

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On March 20th, 2012 the California Public Utilities Commission (CPUC) issued proposed modifications to the state's feed-in tariff (FiT) program, based upon legislation passed over the last few years. The CPUC will have final say on the proposal, which implements changes initiated by SB 380 (2008), SB 32 (2009), and SB 2 (2011-2012).

These modifications made by Administrative Law Judge deAngelis' proposed decision include a new pricing mechanism and an increase in the maximum size of eligible facilities to 3 MW. These changes are supported by renewable energy advocates including the CLEAN Coalition (Oakland, California, U.S.).

"The CLEAN Coalition supported the original SB 32 when it was signed into law in 2009," states CLEAN Coalition Associate Executive Director Ted Ko. "We have been working for the last two years to encourage the CPUC to implement it. The changes that came through in SB 32 are changes that the whole industry wanted to see."

"SB 2 opened the door for a new way to do the pricing, and we definitely wanted to see improved pricing. The mechanism that came in isn't perfect, but it fits with some of the recommendations that the CLEAN Coalition made about how to do pricing. We will be making further recommendations to mitigate some of the risks involved with the proposal."

California FiT uses market-based pricing mechanism

California's feed-in tariff program is one of several that the state has implemented to support solar photovoltaic (PV) and other renewable energy generation, but has not had the dramatic impact on PV markets that typically result from implementing a European-style feed-in tariff.

California's feed-in tariff differs from the primary model of feed-in tariffs which originated in Europe by utilizing a market-based pricing mechanism instead of set rates for different types of generation.

The program is also capped at 750 MW, which the CLEAN Coalition notes is far too small to meet California Governor Jerry Brown's goal to add 12 GW of renewable energy generation by 2020.

Price mechanism to be modified monthly

The new pricing mechanism proposed through the decision will base a starting price on the weighted average contract price of the highest priced executed contracts resulting from the November 2011 Renewable Auction Mechanism auction.

This price will be modified by a monthly price adjustment mechanism based on market responses, and further by a time-of-delivery adjustment.

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