



U.S. Virgin Islands adopts long-term standard contracts for up to 15 MW of renewable energy

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Retail electricity rates on the U.S. Virgin Islands are above USD 0.50 per kWh, which makes the economics of renewable energy quite favorable. Image: JuanPDP, Wikimedia Commons

The governor of the U.S. Virgin Islands has signed into a law a bill to provide long-term, standard contracts for up to 15 MW of renewable energy generation. The policy is called a feed-in tariff, however unlike standard feed-in tariffs it will not pay generators a fixed rate.

The rate will be based on a discount to the “avoided cost” paid by the USVI’s Water and Power Authority, which the bill’s author estimates will be around USD 0.26 per kWh, under 10–30 year contracts. Retail electric rates in USVI currently average over USD 0.50 per kWh.

Wind, solar, biomass and geothermal systems 10–500 kW in capacity will be eligible to participate in the program, which will differentiate rates by capacity and location. Utilities in the territory will set the tariffs and administer the program.

Concern over fixing rates to avoided cost

Renewable energy expert Paul Gipe of Wind-Works says that a provision to keep rates paid to generators below avoided costs, even for existing contracts, may impact the effectiveness of the program.

“The latter provision will give banks pause before financing any project as the revenue from a project can not be predicted with any certainty,” notes Gipe.

Microgrid project also in the works

The Clean Coalition (Menlo Park, California, U.S.) supported crafting of the legislation, and is additionally working to lay the groundwork for a community microgrid on the island of St. John. The organization states that these two initiatives will help to advance renewables in the islands while lowering costs for consumers.

“The opportunity for the Virgin Islands is clear – local renewables provide cheaper power and robust economic stimulation, including local job creation and private investment,” said Clean Coalition Executive Director Craig Lewis.

“Now, the feed-in tariff can initiate a real deployment effort of renewables in the Virgin Islands and a community microgrid project can show the way for maximizing the benefits of getting to significant levels of local renewables. The Clean Coalition looks forward to helping make the Virgin Islands a renewable energy showcase for the world.”

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