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BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UM 1673

In the Matter of OREGON PUBLIC UTILITY COMMISSION Comments of Obsidian Renewables on "Draft Report to the Legislative Assembly: Investigation into the Effectiveness of Solar Programs in Oregon"	Comments of Obsidian Renewables, LLC

Obsidian Renewables offers specific suggestions on lessons learned with respect to solar incentives that could be incorporated in policy choices going forward. We ask for these suggestions to be considered for the Report to the Legislative Assembly. These suggestions could go after "Barriers to Development" on page 37 of the Report.

1. Production based incentive for larger projects

A production based incentive – as opposed to a cash grant – works better for larger solar projects. A production based incentive pays for performance, rather than installed costs. An incentive tied to production provides incentive to reduce installation costs and maximize production, which in turn maximizes the number of solar kilowatt-hours produced for every incentive dollar spent. It also avoids the risk of projects not performing after they have received taxpayer or ratepayer funds.

The economic efficiency of a production based incentive does not necessarily hold true for smaller projects. The ongoing (monthly) administrative cost associated with managing and paying a production based incentive might well make an upfront cash grant the preferred method of incentive for residential and small commercial projects.

2. Subsidy transparency

Future solar production incentives should be isolated in the billing structure from the charge for electricity, so that the amount of subsidy is clearly identifiable. Payments to net metered customers under the VIR pilot program blended the subsidy and the payment for electricity, making it more difficult to clearly see and state the amount of the subsidy.

3. General fund program versus ratepayer program

The societal and social benefits of renewable energy – which include reduced carbon emissions, reduced particulate emissions, reduced water use and pollution, reduced health impacts, and reduced climate change impacts – are enjoyed by all Oregonians, and not just a particular utility's ratepayers. The value of these attributes could therefore be supported through a general fund program, rather than a ratepayer program.

4. Tiered incentives that decline over time

Larger projects enjoy economies of scale over smaller projects, and are therefore cost less on a per watt basis (the customary way to state solar project costs). A solar incentive program should provide lower incentives for larger projects. Similarly, projects in sunnier areas of Oregon produce a greater number of kilowatt hours of energy per watt installed, so the production based VIR under the pilot program provided greater incentives for projects west of the Cascades. This feature could be continued.

Solar incentives, whether ratepayer-based or taxpayer-based, should include stepped drops over time, in recognition of the expectation that solar costs are expected to continue to decline.

5. Understanding our electric distribution system

One of the barriers to solar development is the cost and complexity of interconnecting larger projects with the grid. While the current level of solar penetration in our electric mix is low, interconnection issues are growing in importance. States with higher levels of solar penetration are dealing with issues around interconnection; balancing the goals of encouraging solar development with system reliability. There are areas where the distribution system could benefit from a generation plant, and areas where generation could be added with no real difficulties. There are other areas where the distribution system is less well suited to receiving generation, where interconnection would require expensive grid upgrades.

There is currently no way for solar developers to know where the distribution system is well suited for solar generation and which areas are less well suited to it. If solar developers were able to work with utilities to site projects in areas that support the grid, costs would decrease further and the value proposition of solar energy would be improved.

A comprehensive study of the capacity of the PacifiCorp and PGE distribution systems to receive generation resources, made available to the public, could help solve this problem. Perhaps the legislature could provide funding to enable this study.

Thank you for your consideration of my comments.

Respectfully,

Obsidian Renewables, LLC

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