

Comments for AR538
December 22, 2009
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RE: FERC and the Oregon FIT

HB 3039 requires the OPUC to establish rules for volumetric payments of solar energy. The output of a PV system has two values that determine the amount paid. One is the marginal cost of energy that a utility would pay for the energy if they were providing it (i.e. the QF rate), and the second value is the “solar attributes” required by the law. Because these solar attributes are expressly being purchased and kept by the OPUC to meet RPS requirements, not heat homes, I submit that these second value is not governed by FERC as it is not energy. It is rather the local market rate for particular attributes that the state legislature wanted purchased.

What the OPUC is attempting to do is set a fair market rate for a commodity that is extremely price elastic from an immature market. This is daunting task to be sure. I would submit a second thought – that if we asked the FERC to set the fair market rate for solar attributes they would do no better, but take twice as long and not be able to balance the benefits of an emerging market against the desire for the lowest price.

With all due respect, I believe the Assistant Attorney General, is missing the intent of the law – to pay a premium for the above market (non-wholesale or non-QF rate) cost of solar energy. How we define these costs, defines what latitude the OPUC has. As an extreme example, consider what would be the outcome if we defined the energy not purchased when a retail customer installed a conservation measure was as energy flowing on the transmission system. This unused energy would now be governed by FERC and consequently all conservation payments used to pay for that energy would need to be set by FERC.

In the end we are only talking about installing 25MW of a 15% capacity factor resource over a 5 year period. In comparison, in Q4 of 200, early indications are that about 2800 MW of solar (with an even lower capacity factor) will have been installed in Germany. That’s 23 MW per day. Vermont, and Washington both have substantially larger FIT programs that are not governed by FERC.