

“Feed-in tariff” decision to open clean energy market

Public Utilities Commission adopts clean energy “feed-in tariff” to reduce barriers to clean energy development

HONOLULU—A decision issued last Friday by the Public Utilities Commission could spawn new clean energy investment statewide through a price guarantee for electricity produced by sun, wind, and hydroelectric sources. Advocates for clean energy are encouraged about the decision—which lays the framework for the new policy but doesn’t set specific rates for the purchase of clean power—although questions remain regarding the whether the policy will provide sufficient incentive to drive major new clean energy development.

“This decision is encouraging and represents another important step towards Hawaii’s energy independence,” said Henk Rogers, Founder and Chairman of the Blue Planet Foundation. “Although it is unclear today how much clean energy this new policy will generate, it puts in place a mechanism that will hopefully prove beneficial to Hawaii’s clean energy future.”

The decision and order issued last Friday is a statement of “general principles” on the shape of the feed-in tariff program. The actual rate amounts will be determined by the Commission within the next few months.

The Commission’s decision, noting that “there is no other state in the nation that is as dependent on oil as Hawaii is” and that oil is imported from “countries that may not be sympathetic to U.S. interests,” addresses some of the larger concerns that clean energy developers had in doing business in Hawai’i: the ability to secure access to the power grid and ensure a fair price for the power that they sold. The new policy, called a “feed-in tariff,” will provide a set price and standard 20-year contract for “green” electricity. That means a solar company or a wind developer will know exactly what price they can sell electricity from their project. By providing transparent conditions and a “no haggle” price for clean energy, a feed-in tariff will enable renewable energy providers to more easily calculate whether their project will pencil out. For smaller projects, clean energy developers will no longer face costly and time-consuming individual contract negotiations with the utilities. Hawai’i will be one of the first states in the nation with such a progressive policy.

Clean energy advocates, such as the Hawai’i Solar Energy Association, praised the Commission’s decision.

“This decision stakes a claim for renewable power generation in Hawaii that is not utility-owned,” said Mark Duda, President of the Hawaii Solar Energy Association. “Hawaii’s solar industry is pleased that the Commission has recognized the importance of our industry—and distributed generation in general—in the broader effort to increase energy security and reduce carbon emissions.”

Through their 128-page decision and order, the Commission adopted a policy that is much broader than the one envisioned by the Hawaiian Electric Company (HECO). The HECO proposal sought to limit the renewable energy project size of wind projects on O’ahu, for example, to 100 kilowatts, or one three-hundredth (1/300) the size of the Kaheawa wind farm currently operating on Maui. The Commission’s decision sets project size limits of five megawatts for the island of O’ahu and 2.72 megawatts for Maui and Hawai’i island.

Blue Planet Foundation and other clean energy advocates remain concerned about possible limitations imposed by the new policy—limitations not in place in other jurisdictions. The Commission’s decision caps the total amount of feed-in tariff projects brought onto the electricity grid at 5% of the system peak on O’ahu, Maui, and the Big Island for the first two years of the program. Further, it is unclear whether the decision grants the utility discretion to reject projects based on concerns over reliability of the power grid and ratepayer impacts—although the utility will be required to develop reliability standards which will define most circumstances which feed-in tariff projects can or cannot be incorporated on each island.

Many of Hawaii’s clean energy advocates were promoting a more aggressive feed-in tariff—one similar to that enacted in Germany that doesn’t have many of the limitations imposed by Hawaii’s new policy. Germany now has enough solar photovoltaic installed to power all of Hawaii’s electricity needs twice over and six times as much wind per person as Hawai’i. Nearly forty places around the world, from Europe to Canada to Australia, have adopted similar feed-in tariffs, making feed-in tariffs among the most popular and successful policies ever for growing clean energy economies. The Commission will revisit these and other issues when the initial feed-in tariff is reviewed two years after the program starts.

Solar energy advocates in particular are pleased that the new feed-in tariff policy preserves the existing net energy metering incentive currently available for home power producers, such as those who use photovoltaic systems. After the decision new feed-in tariff rates are determined, home power producers can decide to either run their meter backward to eliminate their power bill, or become a power producer and actually receive compensation from the utility for their clean energy.

“The Commission’s decision offers the promise of helping to stabilize ratepayers’ electricity costs, create jobs, and reduce Hawaii’s dependence on imported oil,” said Jeff Mikulina, Executive Director of the Blue Planet Foundation. “By removing some uncertainty in the clean energy marketplace, Hawaii’s feed-in tariff gives green power the green light.”

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