

Getting FIT

by Michael Welch

The recent changeover to a “greener” Congress is showing some benefits to the renewable energy world.

Congress is now drafting bills to form federal policies supporting household and small-scale commercial RE that go way beyond net metering. Feed-in tariffs (FITs) may be the next promising step for RE development in the United States.

Whereas net metering is designed to offset household or business usage, renewable energy FITs typically provide a premium price per KWH (as in production-based incentives, or PBIs) when a system produces *more* electrical energy than the building consumes. Some programs also pay that premium for offsetting usage even before the using/producing breakeven.

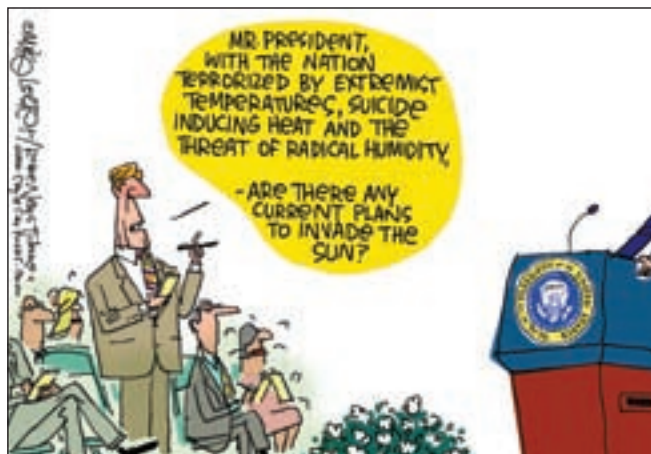
Incentives for both of these government-mandated programs—net metering and FITs—are funded through surcharges that all utility customers pay. The amounts used to fund these programs are charged on a per-KWH basis and lumped in with the utility’s “public purpose programs.” These have also been established to help cover the costs of providing assistance to low-income utility customers and financing energy-efficiency programs.

Growing the RE Garden

State-by-state net billing laws have served the renewable energy industry quite effectively so far, as indicated by the increasing number of home-scale PV and wind installations—and professional installers—in the states with effective rules, compared to those states without net billing. From an industry perspective, the point of those laws was to give a budding industry a little “fertilizer” to help it grow and gain solid roots to become self-sustaining.

Now that the RE industry has established itself in the United States, it is time to propagate it by including those states that have not had the political will to establish their own effective programs. More nurturing incentives could shift the industry from its current status of “present and ready” to the next stage: rapid growth of manufacturing facilities, dealers, and installers and, with that, price decreases.

The timeliness of this next step will be important to uprooting the weed of climate change. We must speed up necessary greenhouse gas reductions, or else risk reaching a tipping point beyond which global warming does not have a reasonable recovery scenario. Accelerating the growth of RE by taking incentives to the next phase can help achieve this goal.



Feed-in tariffs are nothing new—Europe’s successful systems of “rate-based incentives” have long been the envy of RE advocates in the United States—so understanding how they accomplish industry growth here should be predictable. The German model, perhaps most often heard of, has been triumphant at increasing the installation of RE in that country. Only one European country has more installed PV per capita than Germany’s approximately 30 watts peak, and that is Luxembourg, with more than 50 Wp per capita from its wildly successful, but temporary, rate-based incentives program.

The German model was so successful that its programs (along with a couple in other countries) temporarily created a worldwide shortage of PV modules. German installers were willing to pay higher-than-normal *retail* prices for modules—even within the wholesale market. Shipping containers full of modules were being resold into Europe from other countries—even coming directly from U.S. retailers and distributors—because the price was right.

The key to the success of these programs was in making the tariffs as attractive as possible. The higher the profit potential for would-be system owners, the more likely they are to invest in systems. Considering the immediacy and risks of continued climate change, the price of PV energy generated on site could easily be valued at 50 cents per KWH or more—admittedly a seat-of-pants estimate, but in line with the German model and enough to make even the most thrifty of utility customers sit up and take notice.

United States FITs Next?

Leaders of both houses of Congress have drafted FIT bills. As of this writing, no bills have been introduced, but citizen input is being sought. In the House, Representative Jay Inslee is drafting The Clean Energy Buy-Back Act, which would amend the Public Utility Regulatory Policies Act (PURPA)

Presidential Promise

While the threat of vetoing legislation not supported by the current administration still exists, bills introduced now may not even make it all the way through the current legislative session, which ends in the fall for both houses. This is good news, since this could delay the bills until after a new president is sworn in. The three viable presidential candidates are all more likely to support RE and climate-change legislation compared to the current administration. It is time to raise our hopes for a renewable energy, climate-neutral future, and to back them up by encouraging our Congressional representatives to work harder than ever to make it happen.

to require utilities to enter into 20-year fixed-rate power purchase agreements and to set those rates to provide system owners with a reasonable rate of return on investment. Though the PBI amounts that have been so effective in Europe have not been specified in these bills, it would be a huge step forward as envisioned.

Senator Bernard Sanders of Vermont is working on a bill that's similar to the Inslee draft in intent and content. His National Renewable Energy Sources Act would make PBIs

the law in all states. Both bills would amend PURPA, set rates, and spread out the costs among ratepayers, though no details exist yet. Neither draft precludes other state, federal, or local incentive programs, such as rebates and tax credits.

Right now we have a unique opportunity to chime in before these drafts are finalized. Make sure that the legislators' staff understands the need for high PBIs if they truly want to see results as effective as the European programs. See Access for the contact information for Congressional staffers who are working on these bills. Then take the time to call your own representatives in Congress and ask them to sponsor the bills when the time comes. While you're at it, be sure to put in a plug for renewing the federal tax credits, which will otherwise expire on December 31, 2008.

Access

Michael Welch (michael.welch@homepower.com) has been working for a clean, safe, and just energy future since 1978 as a volunteer for Redwood Alliance and with *Home Power* magazine since 1990. He will be spending the next year in Sacramento, California, where he hopes to help hold the Governor to his RE promises.

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