

California Goes Solar

INDUSTRY RATTLED BY MASSIVE PLAN

By Al Senia



CALIFORNIA'S SOLAR INDUSTRY is preparing to reap the benefits of a recent decision by state officials to pump \$3.2 billion into subsidizing solar power use statewide. Although proponents hail the effort as a major national solar breakthrough, skeptics believe the massive initiative doesn't go far enough—and some consumer advocates complain utility customers will get stuck paying for a renewable energy source that isn't all that cost efficient.

On its face, the California Public Utility Commission's decision in January to provide almost \$3 billion in incentives between 2007 and 2017 to boost the use of solar power statewide seems nothing short of a major political victory for renewable energy advocates. The program aims to install 3,000 megawatts of solar power on the state's homes, businesses, schools and farms. It's being touted as the largest financial commitment to solar ever made by a state, and it could well push the technology into the mainstream in a state with an insatiable energy appetite. Furthermore, it is patterned after similar subsidy programs that work on a smaller scale: The Los Angeles Department of Water and Power has operated a similar program for nearly a decade.

Another part of the effort involves the California Energy Commission, spending \$400 million working with builders and developers to include solar panels in new home construction. Some 10 percent of the PUC program funding is set aside for low-income installations. It also includes a "pay for performance" incentive structure that rewards high-performing solar projects. Most of the incentives involve installation of photovoltaics (PV) and solar thermal electric projects under 1 megawatt capacity.

"It's a major step for the state's energy independence. And you will see other states following suit," said Rhone Resch, president of the Solar Energy Industry Association. He applauds California's plan for being large in scope and lengthy in duration, "which provides some security for the development of the market." Resch predicts the length of the program will help the industry scale its growth, as well as its manufacturing capacity and technology investment.

Some photovoltaic manufacturers pledged to increase capacity as a result of the program's adoption and predicted it will strengthen the overall U.S. solar industry, which has lagged behind Europe and Japan.

However, the U.S. industry has grown so fast that it has occasionally faced a shortage of silicon needed for the solar panels.

State officials view California's solar effort as a national model. PUC President Michael Peevey termed it "truly momentous" and "an aggressive new program to promote solar development." State Commissioner Dian Grueneich deemed it "the largest solar program in the country, and I hope it will be a model for other states." In a statement, Peevey explained that the intention is to "offer a subsidy now to push the deployment of an important part of our sustainable energy future in the long run." The program has the strong backing of Gov. Arnold Schwarzenegger, who pledged a strong solar commitment in the 2003 gubernatorial campaign, but watched his proposal stall in the state legislature last year.

However, program supporters note that while the California plan is strong in its program length, it is weaker than other states in terms of the actual per-subsidy amount. The initial PV incentive was set at \$2.80 per watt; it reduces by an average of 10 percent of that amount annually until it reaches 25 cents a watt in 2016. The initial incentive is enough to cover between 25 percent and 30 percent of the average residential installation. Even so, it lags that of other states. Resch of SEIA notes that Colorado offers a \$4.50-per-watt incentive; the incentive in Connecticut is \$5 per watt.

"The size of the rebates is quite a bit smaller than some other states, and the amount decreases each year," Resch said. State officials expect that costs of solar systems will drop by the end of the program.

The California plan is also somewhat controversial because the cost will be subsidized by utility customers of Southern California Edison Co., Pacific Gas & Electric Co. and San Diego Gas & Electric Co. The new program will cost the average residential customer between 50 and 60 cents a month, utility executives estimate. Some critics also argue that it isn't good policy to install 3,000 megawatts of solar power when it is still more expensive than wind energy or natural gas turbines.

Resch counters that solar is more expensive but more practical, because it competes with power generated during peak periods. "As the state transitions to a peak rate standard, the benefits of solar will become more apparent," he said. ☒

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"We cannot continue to be abused by these southern New England states," Tony Buxton, attorney for the Industrial Energy Consumer Group, told the *Portland Press Herald*. "We are on the verge of a consumer revolution. We have an opportunity to do better."