Designing Auction-Based PV Incentives

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September 27, 2012
Presentation Agenda

1. Definitions and Program Objectives
2. Implementation
3. Key Considerations
Program Design Objectives

• Clear demonstration of support for PV development
• Predictability: cost vs. capacity
• Drive towards transparency
  – Near-term and program life cost
• Incenting successful operations and maintenance
• Efficient adjustment to market shifts and system cost changes
Production-based incentives (PBI): incentives ($s) for distributed generation owners which are paid in consideration of metered system production (kWh)

Auction-based incentive programs: incentive design where a fixed pool of funds is allocated to applicants based on incentive “bids,” from lowest to highest

Nomination period: predefined incentive bid application submittal date

Lifetime incentive authorization: notional value of all incentive payments to a project or group of projects over the full contract life
Process Overview

Lifetime incentive authorization established and allocated into nomination periods
- e.g. Lifetime incentive authorization of $24 million is allocated into four nomination periods of $6 million each
- Nomination periods are scheduled; e.g. first business day of each quarter

Execute nomination period, review bids, allocate incentive awards
- Applicants complete bid/application forms, describe systems, expected production and desired incentive per kWh
- Bids are ranked based on incentive cost efficacy per kWh over the contract term
- Incentives are awarded from most cost effective to least until nomination funds are exhausted

Project monitoring and development
- Development of each project is monitored against pre-established milestones, non-conforming projects removed
- Completed projects are reviewed against common operating/program criteria

Operation, payment and reporting
- Operating projects are metering, production reported and incentives paid and recorded against contract and LIA
- Production and operations are used to forecast future year incentive debt; underperforming commitments adjusted

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Clarity and transparency

- Longer-term program commitments established at onset
- Market has a clear opportunity for development

Cost Efficacy and efficiency

- Adjusts to rapid changes in market conditions, both up and down
  - Incentive declination is driven by competition, not forecasts
- Allows segregation of program by system sizes and/or customer type
Implementation and Controls

Increasing transaction certainty
- Establishing clear requirements for bid submittal
- Tracking financing and project development milestones
- Securitization of incentive award and removal of non-performers

Forecasting and reporting
- Incentive payment, reporting and forecasting alignment
- Forecast of future year incentive payments challenged by project in-service dates and actual production
Operational Considerations

Administration

– Requires more substantive upfront design
– Monitoring multiple milestones
– Maintains dialogue with customers and developers

Regulatory

– Cost clearly defined
– Customers (rate payers) insulated from performance variations
– Clear support for solar development
– Establishes PV transactions at the lowest available cost