Is The Tide Turning On State-Level Solar Policy Fights?

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After a bruising 2015 with solar policy setbacks in key states, 2016 has seen multiple policy wins across the U.S.

Utilities continue filing requests to increase fixed charges, but reports show regulators have denied the majority of these requests. Compromise solar valuation regulatory decisions occurred in Arizona, Colorado and Nevada. Meanwhile, policymakers in New York, Oregon, and Rhode Island have taken progressive solar action, and voters overwhelmingly supported expanding solar access in Florida.

So, is the tide turning in the fight for sensible state-level solar policy, or are we merely in an ebb awaiting the next flow?

Solar shines in state capitols

There's no rest for the weary with state-level renewable energy legislation, and although policies might have come under fire in some regions, several states scored big renewable energy wins this year.

For example, Rhode Island increased the state's renewable portfolio standard (RPS) from 14.5% by 2019 to 40% by 2035. The legislation included solar-specific incentives allowing distributed generation and community solar projects to participate in the RPS, expanding net-metering to allow virtual net metering and third-party ownership of net-metered systems, and allowing third-party financing for residential and business solar projects. While Rhode Island is a small state, its pro-solar actions are unmistakably positive and open up a new solar market.

Oregon enacted a 50% by 2040 RPS requiring utilities to phase out coal generation imports by 2035, compelling 8% of retail electric load to come from small-scale renewables by 2025, directing the state's public utilities commission (PUC) to create a community solar program, and allowing utilities to recover costs related to energy storage associated with renewables. Like other nascent solar states, this renewables foray inspired a look into accurate solar valuation. In July, the PUC released a draft valuation report recommending phasing out net metering to avoid potential cost shifts. The solar industry quickly took action, noting just 8 MW of net-metered solar in the state, and secured a longer review time and "more fully vetted report" due to the state legislature in late October with comments on the draft due Sept. 30.

New York approved a clean energy standard (CES) of 50% renewable electricity by 2030, requiring utilities and energy suppliers to obtain renewable energy credits from renewable energy developers and help finance new generation across the grid. In addition, the CES will develop standards for a state-certified clean electricity products using local generation to offer customers 100% clean power and will ensure investments in energy storage and transmission to expand the grid's ability to incorporate higher levels of renewable energy.

Successful compromise
Momentum is growing for compromise solar valuation efforts between utilities and solar developers, with regulators increasingly choosing the middle ground to avoid damaging net-metering fights. After a [notable]() win in New York and a notable loss in Maine in the first half of 2016, three states moved toward compromise during the third quarter.

Arizona regulators rejected a demand charge proposal on solar owners from utility UES and delayed deciding exact solar remuneration rates until a separate value of distributed solar proceeding concludes in October. Pushing off the solar compensation decision pending the solar valuation proceeding affects the outcome of demand charge proposals from utilities [Arizona Public Service]() and Tucson Electric Power guides new rate design and incentive structure reform processes. Although we don't yet know how the value of solar proceeding will conclude, Arizona Corporation Commissioners have stated they favor policy compromise to avoid Nevada-style acrimony. Any forward progress is welcome in Arizona, as the state's solar market has dramatically slowed, especially in the Salt River Project utility territory.

Colorado saw a clearer [solar compromise decision]() after Xcel Energy and solar developers agreed to avoid new grid fees and a reduction in volumetric compensation for solar owners in exchange for instituting a time-of-use rate pilot, which could eventually be used as the default rate design. Xcel's compromise also includes a commitment to 105 MW of new community solar capacity. While this victory allows new customer segments to access the solar market and adds momentum to the larger compromise trend, it's not a sea change for the solar community and primarily benefits residential and utility segments without addressing challenges to commercial-scale projects.

Finally, Nevada's PUC [approved]() a negotiated settlement between SolarCity and utility NV Energy allowing solar owners to remain grandfathered in for 20 years under the previous net-metering rate structure dismissed last December. Although the decision won't revive interest in the state's solar market, it at least indicates room may remain to improve distributed solar policies statewide and is certainly a constructive step.

(Solar) power to the people
Policymakers have brightened the state-level solar horizon, but the biggest market development could fall to voters. More than 70% of Florida voters approved a constitutional amendment in late August, clearing the way for commercial and industrial (C&I) solar generation to receive a property tax exemption.

[Amendment 4]() could facilitate expanded distributed generation projects by exempting solar projects on C&I properties from two real estate taxes, expanding upon existing laws exempting residential customers from paying property taxes on solar arrays. According to EQ Research, fewer than 12,000 customer-owned distributed generation systems exist statewide among a total population of 20 million, meaning tax exemption could unlock a massive potential market.

But the real fight for solar's future in Florida will happen in November, when voters decide on the Amendment 1 ballot initiative to "ensure consumers who do not choose to install solar are not required to subsidize the costs of backup power and electric grid access to those who do." This could prevent net metering and continue obstructing third parties from selling solar generation through power purchase agreements.

The solar industry must continue its efforts
Solar is without a doubt benefiting from tailwinds at the federal level through tax equity driven by the investment tax credit extension and market drivers associated with equipment and capital costs getting more and more efficient, but the real determinants of how fast solar will grow in the U.S. are state-level dynamics.

State-level policy is a diverse challenge, requiring the solar industry to maintain a broader focus across 50 different markets and a deeper focus on even the smallest policy measure that could have outsized impacts – either positive or negative.

The solar community must highlight and recognize policy measures that make solar work for every market segment – residential, commercial and utility – in order to efficiently wage this broad and deep fight and push those policy points forward.

On the whole, we should be proud of how well state-level battles are going, but as an industry with just 1% market penetration nationwide, we will continue to face the inherent desires of power incumbents to maintain their historical market share. Although 2016 has been positive so far, diligent work remains ahead for our industry to keep solar installations progressing rapidly over the next few years.

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