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Response to New York's Proposed Solar Renewable Energy Market: Lessons Learned from Other States' SREC Markets and Recommendations in Moving Forward

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Response to

**New York’s Proposed Solar Renewable
Energy Market: Lessons Learned From Other
States’ SREC Markets and Recommendations
In Moving Forward**

JESSE GLICKSTEIN, COMMENT AUTHOR

JOE NARODITSKY, RESPONSE AUTHOR*

Mr. Glickstein’s comment is a highly relevant piece, published during a period of historic growth in the solar industry and on the heels of several policy and incentive developments which will shape the near and mid-term outlook for the U.S. solar industry. While the expiration of the 1603 Treasury Grant and the collapse of the New Jersey SREC market have caused a good bit of concern, decreasing panel and installation costs, along with the emergence of new policy mechanisms and the promise of repair for existing programs continue to drive PV costs toward grid parity.¹ However, a broader look at solar incentives across the country reveals the beginnings of a breakdown in what was once a continental divide between standard contract offerings on the West Coast—primarily represented by the fixed-price energy purchase schemes operated by the major utilities in California—

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1. The 1603 Treasury Cash Grant in-lieu-of Energy Tax Credits program was passed by the federal government under the American Recovery and Reinvestment Act (ARRA), in which 30% of commercial project costs are reimbursed in cash, provided over \$9 billion in funding to 20,000 renewable energy projects from 2009 through 2011. See *1603 Program: Payments for Specified Energy Property in Lieu of Tax Credits*, U.S. DEPT OF THE TREASURY, <http://www.treasury.gov/initiatives/recovery/Pages/1603.aspx> (last visited Oct. 2, 2012).

and a market-based system East of the Mississippi, predicated on the sale of “renewable attributes,” in large part dominated by New Jersey’s SREC system.²

While Jersey adjusts to the rush of solar development and subsequent crash in SREC prices, utility-backed, long-term, fixed-price energy purchase contracts are popping up along the Eastern Seaboard at large scales for the first time ever. Even though it is too early to gauge the success of new programs such as the Long Island Power Authority’s Clean Solar Initiative Feed-in-Tariff and Rhode Island’s Distributed Generation Standard Contracts Program, their ambitious initial targets of fifty MW and forty MW respectively indicate commitment on the part of lawmakers and industry alike. However, both new programs offer a predetermined rate paid per kilowatt-hour by the utility. This built-in rate may become problematic for several reasons, including the potential for overpaying for electricity over the long-term, and acting as an inhibitor to cost-competitiveness in the industry. A potential solution for this dilemma would be to model California’s Renewable Auction Mechanism (RAM) in which renewable energy suppliers are required to submit offers of their lowest possible rates to utilities for purchase.³

The duel between these two modes of thought on incentives for solar power is being fought in state capitals throughout the country. The penchant of project finance institutions for long-term energy purchase contracts and price stability combined with the protection against drastic market swings offered by such contracts would seem to indicate that an auction-based tariff system will ultimately win out. LIPA’s adoption of a Feed-in-Tariff may be an indicator of the direction that the rest of New York State will take as the legislature takes the issue up again next session.

2. The California Solar Initiative, launched as part of a broad effort to install 1940 MW of solar energy in the state, is by far the nation’s most aggressive and mature solar incentive program. See *California Solar Initiative*, CAL. PUB. UTILS. COMM’N, <http://www.cpuc.ca.gov/PUC/energy/solar> (last visited Oct. 2, 2012).

3. For information on all state-based solar incentive programs, see *DSIRE Solar Portal*, DSIRE, <http://dsireusa.org/solar/> (last visited Oct. 2, 2012).