



April 14, 2009

Assemblymember Skinner
State Capitol
Sacramento, CA 95814

Re: Opposition to AB 560 unless amended
April 21st hearing of Assembly Utilities and Commerce Committee

Dear Assemblymember Skinner,

I regret to inform you that TURN opposes passage of AB 560 unless it is amended. Although we are open to raising the cap applicable to net metered installations above the current 2.5 percent limitation, the increased penetration of net metered photovoltaic projects raises significant concerns regarding the ownership of Renewable Energy Credits (RECs) for electricity purchased by utilities on behalf of ratepayers.

The legislature must balance the interests of ratepayers who do not own solar systems with the goal of providing appropriate and efficient incentives for the development of distributed renewable generation. There are a variety of costs related to solar projects including direct subsidies from the California Solar Initiative (CSI), waived interconnection fees, and bill credits for exported energy calculated at fully bundled time-of-use retail rates. Net metered customers therefore avoid paying rates normally charged for distribution service, public goods programs, low-income customer assistance (e.g. CARE), energy crisis costs (e.g. ongoing PG&E bankruptcy costs), and other components of bills not linked to the provision of generation services. To the extent that these costs are not paid by net metered customers, the burden falls disproportionately on the remaining body of ratepayers.

Net metering is available pursuant to statutory sections which reserve this preferred treatment exclusively for solar and wind systems. The same customer using a gas-fired system, even if it provides equivalent capacity and local distribution system benefits, is not eligible for net metering. Ratepayers are therefore affording special treatment on the basis that the net metered power is renewable. If a customer strips off the RECs and sells them separately, the underlying energy is no longer considered renewable and should not be eligible for net metering. Customers with renewable DG systems seeking to retain their RECs for sale to third parties should instead take utility service under other tariffs designed for customers with non-renewable DG systems.



The CPUC currently allows net metered customers to sell 100% of their RECs to a variety of potential buyers for use in voluntary green markets and, in the future, for RPS compliance by retail sellers. TURN believes that it is wholly unreasonable for ratepayers to subsidize renewable distributed generation while being denied the opportunity to count the purchased electricity towards RPS targets. Rather than forcing ratepayers to pay a second time for RPS-eligible energy, TURN urges the legislature to condition an expansion of net metering on the requirement that energy purchased by utilities should result in the transfer of RECs to be counted towards the achievement of RPS targets.

TURN would like to work with the authors to fix these elements of the legislation and looks forward to being able to support a future version of AB 560 which provides appropriate RPS credit for net metered electricity.

Please feel free to contact us with any questions about our position.

Sincerely,

Matthew Freedman
Staff Attorney
TURN

cc: Edward Randolph, Assembly Utilities and Commerce Committee Consultant
Assemblymember Felipe Fuentes