

RENEW Issue Brief: Economics of Renewable Energy

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Press for Advanced Renewable Tariffs

PROBLEM: Worldwide, Feed-in Tariffs (FITs) are widely credited for expanding distributed renewable energy development to a greater extent than other tax or financial incentives. FITs, known in Wisconsin as Advanced Renewable Tariffs (ARTs), have been approved in the last few years by the Public Service Commission of Wisconsin (PSCW) and have been implemented by electric providers as part of their renewable energy acquisition strategies. Apart from net energy billing, the use of ARTs has also been a major income driver for many customer-sited distributed renewable projects in Wisconsin. They are used to level the economic playing field for projects over the 20 kilowatt net-energy-billing limit, but have not been applicable for projects over five megawatts. Current ARTs have subscription limits that are based on a specific generation capacity or a percentage of an electric provider's retail generation. Many of the ARTs used by Wisconsin electric providers have already reached their subscription limits without any plans on extending them. Specific policies have not been put in place to incrementally ratchet up these subscription limits to maintain growth of customer-sited distributed generation.

POLICY NEED: In the short-term (1-3 years), the subscription ceilings for voluntary ARTs should be expanded with a mechanism that encourages periodic increases. The expansion of tariff subscription limits should be made with cautious consideration of the accompanying retail electric rate effects. The electric providers should be engaged in discussions to expand ART offerings, following the example of Xcel Energy in its 2011 rate case. In the longer-term, legislation should be crafted to make ART subscription limits a mandated "carve out" of an expanded Renewable Portfolio Standard (RPS).

BENEFICIARIES: Residential, agricultural, commercial and industrial energy customers, nonprofit energy users, municipalities, farmers, local installers and contractors.

PROGNOSIS: Pressing for expanded voluntary ART offerings may find traction in rate cases before the PSCW if retail electric rate impacts are relatively minimal. The ARTs filed in Xcel Energy's 2011 rate case could be used as a precedent for expanded tariff offerings at other electric providers. The 2012 legislative climate will not be very conducive to passing laws mandating an ART "carve out" in an expanded RPS.

COMPLICATING ISSUES: Mandatory ARTs was one of the most contentious portions of the Clean Energy Jobs Act (CEJA) - brought before the Legislature in early 2010. CEJA failed when it was not brought to a vote in the full Legislature.