DIVISION OF RATEPAYER ADVOCATES

Use of Feed-in Tariffs for Renewable Resources

- **A properly designed and administered feed-in tariff for renewables can be a useful alternative mechanism for promoting renewable energy production compared to current incentive programs such as the California Solar Initiative (CSI) and the Self-Generation Incentive Program (SGIP).**

- **Feed-in tariffs can reduce program participation costs. However, high tariff rates can increase overall costs to ratepayers and exacerbate a renewable development market imbalance.**

- **The amount paid (cents per Kwh) for any feed-in tariff should reflect the value of the energy produced at time (hour, week, season, etc) of delivery.**

- **The amount paid (cents per Kwh) for a renewable feed-in tariff should decline over time (years) for which the feed-in tariff is established.**

- **Feed-in tariffs may result in large quantities of non-dispatchable resources located in areas that could affect system operation and reliability. Feed-in tariffs for non-dispatchable resources should include a cap on the installed capacity, which should be reviewed periodically (e.g. 3 years), to evaluate the effectiveness of the tariff in meeting policy objectives, and impact on system operation.**

- **Implementing feed-in tariffs in conjunction with existing activities and incentives to develop renewables may create administrative challenges and conflict with existing renewable incentives and development activities such as Southern California Edison's proposed program to install 250 MWs of PV and renewable contracting activities with other IOU's.**

<u>In Conclusion</u>:

Feed-in tariffs for renewables can provide a useful incentive mechanism and streamline the administrative process for small scale renewable projects that have difficulty competing in existing incentive mechanisms and programs. However, high tariff rates will raise overall costs to ratepayers and existing incentive mechanisms will need to be terminated for those that receive the tariff. In addition, many existing renewable resource developers and IOU based projects have been successful without the need for feed-in tariffs. Regardless of the incentive mechanism established, many large scale renewable projects necessary to meet the State Renewable Portfolio Standard are constrained for reasons not related to the incentive mechanism structure (e.g. lack of transmission connectivity).