

Formulating a Fair and Sustainable Approach to Rooftop Solar (Hyperlink)

(Adapted from our May 2015 Watts and Volts)

It is clear that one of the major technological trends that is beginning to shape the electric utility industry is the move toward “distributed generation.” The concept refers to the way in which small generation units located on the customer’s side of the meter – most typically, photo-voltaic or “PV” solar panels – provide energy to the customer-owner, and at times to the electric utility in an arrangement known as net-metering. The utility buys this excess energy, when it is produced, and in turn sells it to its customers. This model stands in contrast to the longstanding “centralized generation” model in which a few large generators power the entire grid. In addition to increased public demand, other drivers of the change are technological and cost improvements, public policy and greater access to financing.

For the electric utility, reliability and cost-allocation implications become more amplified as the number of solar customers expands. Therefore, the board of directors recently has begun to review the costs and benefits of interconnecting a growing number of solar customers to the IREA grid in anticipation of making revisions to our Rates, Rules and Regulations. IREA has a low service charge compared to most Colorado cooperatives and does not have a demand charge for residential customers. As a result, we recover most of our fixed and demand costs, as well as our margin, from residential customers through the energy charge. When customer-generators offset power purchases from IREA with their own excess generation, they effectively “reverse the charges” not only for the energy they produce (as they should be able to), but also for fixed and demand costs that should be charged to all customers. We are looking for the best and fairest way to compensate customer-generators for the energy and other benefits they provide to the grid while compensating IREA for the services it provides.

IREA’s objective is to accommodate large amounts of customer-sited solar arrays in a way that is fair to all customers and economically sustainable as a business practice. Customers who wish to add solar panels to their home should be fairly compensated; likewise, customers who do not own solar panels should not be harmed by the energy choices of others. We believe a fair balance can be struck.