Briefing Memo

Background and considerations for community solar incentives

Renewable Energy Advisory Council
October 14, 2020

The Solar program proposes to offer a new installation incentive for community solar projects that are smaller than 360 kW-ac. The objective is to support the installation of smaller community-driven projects, in particular those that provide opportunities for participation to underserved customers and/or provide additional benefits for low-income customers. The program is seeking feedback on how best to prioritize this incentive funding and a fair and effective application process to distribute these funds.

Background

Energy Trust is committed to serving and benefiting all eligible utility customers and being inclusive in our program offerings. Oregon's Community Solar Program expands opportunities for underserved customers to participate directly in solar, including renters and people with low and moderate incomes, communities of color and rural communities. Notably, a minimum of ten percent of the Oregon Community Solar Program will serve low-income, residential customers at or below 80 percent of State Median Income.

In 2019, Energy Trust solicited feedback from the Renewable Energy Advisory Council (RAC) regarding the Solar incentive program's role in supporting community solar projects. Stakeholders were supportive of the Solar program providing incentives for projects, so long as there remain clear distinctions between Energy Trust's roles as part of the Community Solar Program Administration team and the Solar incentive program.

In November 2019, Energy Trust launched Community Solar Development Assistance incentives to help fund development activities for small and community-led projects. Twelve projects—most led by public or nonprofit entities—have enrolled for these incentives. Five of the projects are 360 kW or less.

The Community Solar Program launched for project pre-certification in January 2020. The program has 22 projects pre-certified, including three that qualified for a 25% carve out of program capacity reserved for small or community-led projects (360 kW-ac or less or led by a public or nonprofit entity). The carve out has 18 megawatts of capacity remaining. Additional detail on current program status is provided in an appendix to this document.

Objectives

For discussion:

1. How should Energy Trust prioritize these objectives for community solar incentives?
    - Support a diversity of small, unique community solar projects
    - Support projects that provide additional benefits for low-income customers:
        - More than 10% of a project reserved for low-income subscribers, or
        - More than the minimum 20% bill savings for low-income subscribers
    - Support projects developed or led by nonprofits or public entities
    - Support projects that have specific outreach to people of color or other underserved customers
    - Other objectives?

Budget, eligibility and project cost assumptions

Budget:

We anticipate announcing this offer by Q1 2021 and allocating approximately $1.5-$2.0 million to support about five to ten projects in the next year.

Project eligibility:

- Projects will need to be interconnected to Portland General Electric or Pacific Power. The program does not have funds to support Idaho Power projects.
- The maximum project size will be limited to less than 360 kW-AC (about 480 kW-DC). This is due to conflicting requirements for Renewable Energy Certificates for larger projects under the Community Solar Program rules and Energy Trust board policy.
- Systems will be required to be installed by an Energy Trust trade ally and meet the Solar program's design and installation requirements.

Project costs assumptions:

- Applications will be subject to an above-market cost screening considering costs and revenues that are unique to the project (e.g., external grant funding). The program may apply assumptions for certain costs across all projects to simplify the application process (e.g., standardized operations and maintenance costs).
- The Community Solar Program requires a minimum of 20% bill savings for low-income customers. This will be considered part of the above-market cost of the project.

For discussion:

2. Given the constraints of Energy Trust's Renewable Energy Certificate policy, do you support limiting this incentive to smaller projects (<360 kW-ac)?
3. Do you have other feedback on the proposed budget, project eligibility or above-market cost assumptions?

Incentive application process

The program is seeking feedback on an effective and fair process for awarding incentive funds. The process should balance simplicity and an appropriate level of rigor, providing sufficient incentives for project success without creating barriers for applicants. The application process should reflect our prioritized objectives and account for anticipated incentive demand.

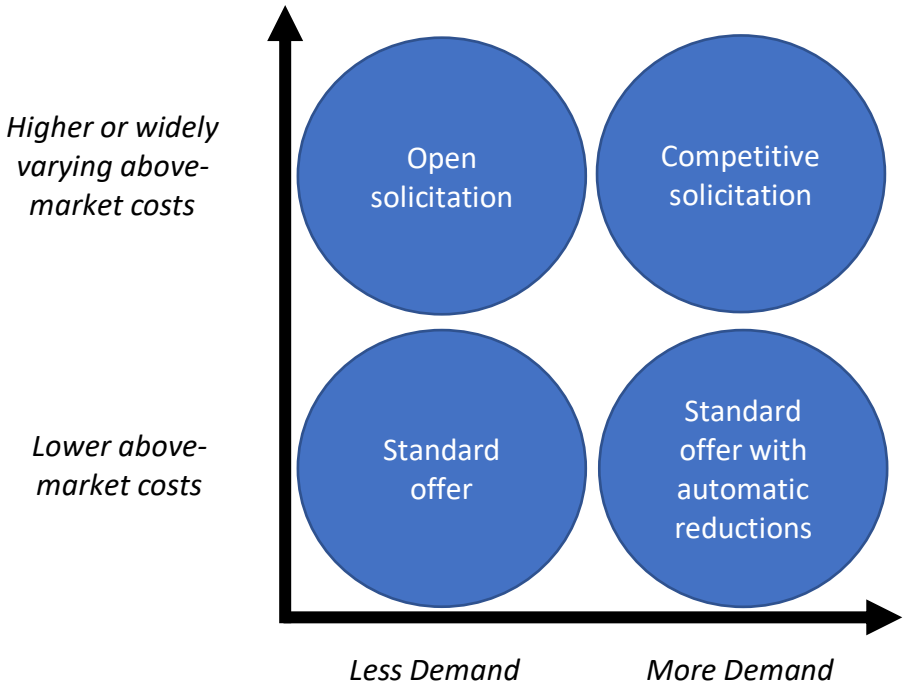
Possible incentive models include:

Open solicitation: The program opens its doors for custom incentive requests. Applications are reviewed on a first-come, first-served basis and custom incentives are negotiated. The offer remains open until funds are depleted.

Competitive solicitation: The program announces a competitive process, including scoring criteria and an application due date. This model allows the program to compare unique project costs and prioritize applications based on predetermined criteria.

Standard offer: The program announces a prescriptive incentive offer for all eligible projects. This method is simple and minimizes work for the applicant and program but does not account for unique project costs or benefits.

The trade-offs and key factors we consider in selecting an incentive model are summarized below:



Custom offers:

- *Can reflect unique project costs and benefits.*
- *Require more work with less certainty for applicants.*

Standard offers:

- *Make broader assumptions about project costs and needs.*
- *Provide simplicity and more certainty.*

For discussion:

4. Is it more important for community solar incentives to reflect unique project costs and benefits or prioritize simplicity and certainty for applicants?
5. How much demand should the program expect relative to our incentive budget ($1.5 - $2 million, supporting 5-10 projects)?

Next Steps

Staff will review feedback from the October RAC meeting and bring a more specific proposal for an incentive design and process to the November 18 RAC meeting.

Appendix: Oregon Community Solar Program (CSP) Status

The current status of program capacity in the community solar program is shown below:

	MW-AC by Utility				Project Count
	PGE	Pacific Power	Idaho Power	Total	
Total Program Capacity	**47**	**32**	**3**	**82**	N/A
General	35	24	3	62	N/A
Carve-Out	12	8	-	20	N/A
Pre-Certified Projects	**34**	**7**	**3**	**44**	**22**
General	34	6	3	43	19
Carve-Out	0.04	1.4	-	1.4	3
Remaining Capacity	**13**	**25**	**0.3**	**38**	N/A
General	1	19	0.3	20	N/A
Carve-Out	12	7	-	18	N/A
Waitlist	**26**	**-**	**-**	**26**	**11**
General	26	-	-	26	11
Carve-Out	-	-	-	-	-

Just over half of the first round of community solar program capacity has been allocated. The first tier of the program is effectively full for non-carve-out projects in Portland General Electric (PGE) and Idaho Power Company service areas, and a waitlist has been established in Portland General Electric service area awaiting the second tier of the program. Substantial capacity remains for non-carve-out projects in Pacific Power service area, and for carve-out projects in both Portland General Electric and Pacific Power service areas (the carve-out is reserved for projects no larger than 360 kW-AC or that are led by a public or non-profit project manager).

Eleven projects totaling 22 MW (all in PGE service area) are currently recruiting customers and targeting program certification and operations in Q4 2020 or Q1 2021. The remaining projects are finalizing financial and development plans before proceeding. The program expects an increase in project applications in Pacific Power service area over the coming months as projects secure the necessary status in the Pacific Power CSP interconnection queue.

The program has seen limited uptake from carve-out projects but has heard of continued interest from potential project managers. Based on projects known to date, current and potential carve-out projects are more likely to aim to serve a greater share of low-income customers, to target deeper savings for low-income customers, and to be relatively small in size compared to general CSP projects. Most current or potential carve-out projects have secured or intend to pursue additional funding sources, such as utility funding (PGE Renewable Development Fund or Pacific Power Blue Sky), Portland Clean Energy Fund, US Department of Agriculture grants, or tax benefits.