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Does Net-Metering Belong in the Utility Business Model?

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This week, Mississippi regulators voted unanimously to develop net-metering and interconnection rules for solar generation. The proposal would mandate that utilities pay solar panel owners for the power they provide for the main grid, joining Mississippi with 43 other states and the District of Columbia that allow net-metering.

This follows events in other states, including Missouri, West Virginia, Arizona, California, and North Carolina, where lawmakers or regulators have recently moved to enact new or reform existing net-metering policies. The moves have been contentious no matter where the debate takes place, with utilities in each jurisdiction worried about “death spirals” while rooftop solar advocates insist that they are offering a more competitive product, and utilities just want to stifle it.

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The key point of contention is how utilities will be compensated for maintaining the grid that solar photovoltaic (PV) customers are still connected to, even if they produce more power than they use, such as in the form of a fixed fee or a reduced payment. In Arizona, the state's largest utility, APS, currently charges a \$5 fee on new solar customers, while Tucson Electric Power has [filed a request](#) to reduce the rate it pays solar customers for their excess power that's sent to the grid. Finding out exactly what that fee or reduced rate should be, or whether a fee should exist at all, has made developing net-metering policies difficult, to say the least.

The debate has gotten so heated in so many places that one has to ask the question: is this the best way to go about aligning the interests of customers and utilities? Some utility experts say that the debate over net-metering and fixed charges misses a key opportunity, which is to make distributed photovoltaic solar (DPV) more accessible to a larger customer base. That, combined with optimizing DPV so its fixed costs are lower, can potentially morph DPV from the bane of utilities' existence into a tool for growth.

The Rocky Mountain Institute (RMI), a nonprofit research and educational foundation aiming to foster more efficient and sustainable use of resources, says in a [recent report](#) that solar policy frameworks have focused on DPV value at the individual customer level or for third-

party solar companies, while utilities “have negatively associated DPV with transaction costs, grid operation challenges, and revenue loss.” The solution, according to RMI, is to better align the interests of utilities, solar companies, technology providers, and customers by creating an expanded value pool, one which makes DPV affordable to more people while simultaneously reducing costs to the grid, and then developing business models designed to capture this expanded pool of DPV value.

To start creating this value pool, RMI recommends three “building blocks” designed to create and capture value. Building block “A” is to make DPV more accessible to more customers who normally wouldn’t be able to install solar panels. This can be done through community solar programs or other subscription models where utilities connect customers to offsite solar projects. Building block “B” involves optimizing DPV projects for capacity value, such as shifting solar panel orientation to better align with peak load, and integrating technologies to strengthen capabilities while balancing added costs (i.e., incorporating storage or advanced inverters.) Building block “C” is to leverage DPV adoption by incorporating it in a technology bundle that can create greater net value. These bundles can take different forms, such as a “resilience” package that combines storage and advanced controls, keeping a customer’s lights on during a storm. Following these building blocks will, ideally, break the antagonistic relationship between utilities and solar developers and create a more harmonious, sustainable DPV market.

“Business models designed to optimize DPV deployment and capture the additional value created will increase the likelihood of positive outcomes for all, producing the win-win-wins that this report outlines and enabling a robust and sustainable market for DPV,” the report said.

Whether utilities and solar companies will heed this advice remains to be seen, but it is important to note that the relationship between utilities and DPV need not be adversarial, and that net metering, tweaked to align not only the interests of solar customers but also developers, utilities, and technology providers, could be one of many policies that will encompass the utility business model of the future.

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