



*State Policies for
Renewable Energy*

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Conclusions

- Energy of all kinds are subsidized and incentivized in some way. Well-crafted incentives can make a big difference.
- New approaches that blend regulation and competition may hold promise for the future.





State Policies: The Categories

- Transmission policy
- Incentives (usually financial)
- Mandates (flexible or not)
- Market enablers/market push policies





Interactions with Air Policy

- Air and energy policy converge with the NO_x SIP (State Implementation Plan) Call. States in the east required to reduce NO_x emissions by a specified amount.
 - State were allowed to renewable energy to gain credit toward meeting their requirements.





Transmission: A sampling of state policy

- Improvements to transmission siting processes at the state level.
- Some states can consider regional needs in permitting transmission projects.
- State-issued bonds for construction of new transmission lines. (Kansas)
- Resolution of cost allocation issues in transmission hook-ups





Incentives: Net Metering

- Net metering allows a customer to be credited for the energy he/she generates in excess of the energy he/she uses.
 - It is an incentive for small renewable energy systems.
 - Legal issues have surrounded whether that customer would be considered a wholesale generator and subject to FERC requirements.



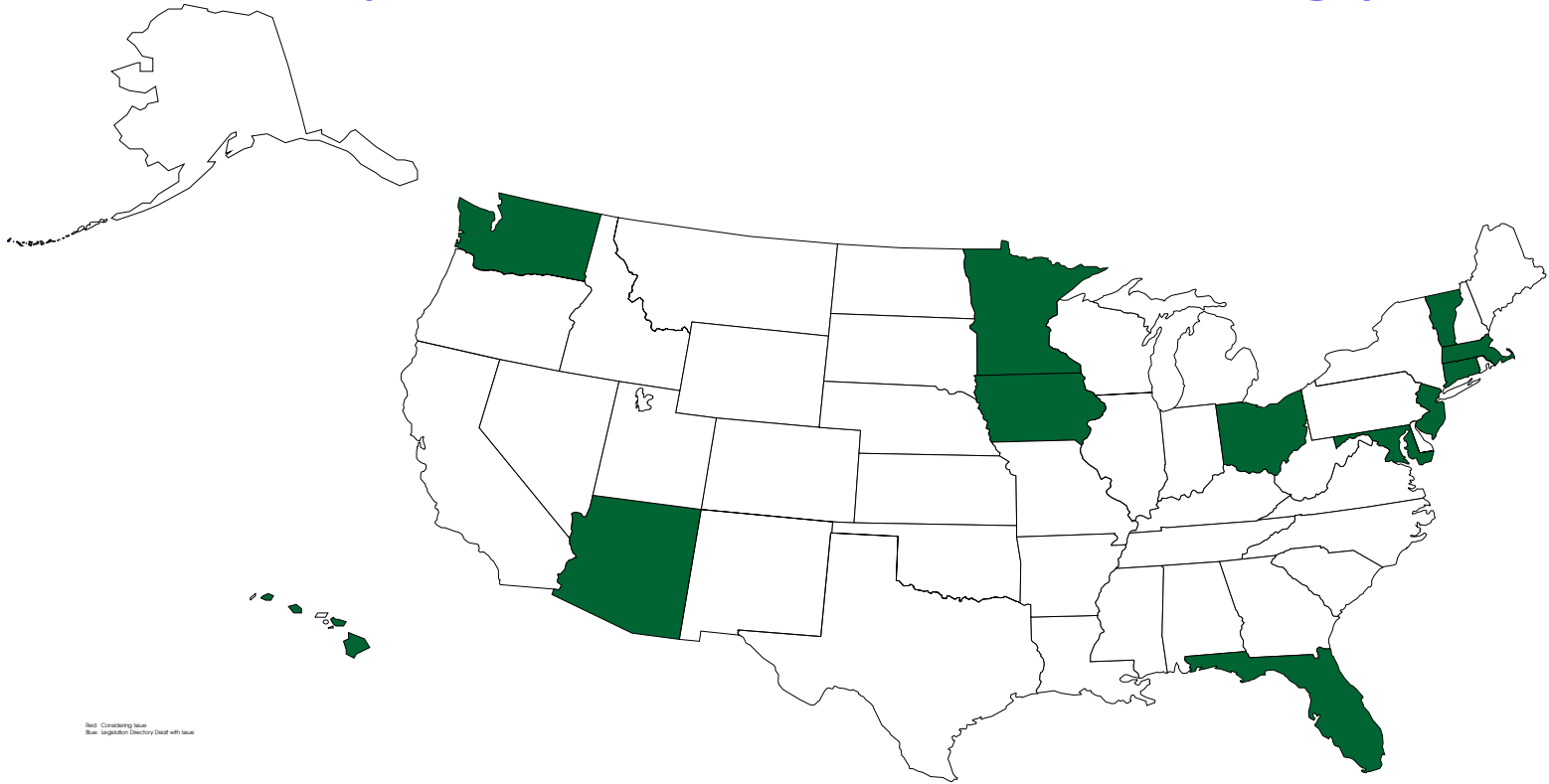


Incentives: Net Metering

- Net metering programs exist, in name, in many states. The details of each program vary a lot and matter a lot.
- Net metering is one among a package of incentives and will not by itself stimulate large amounts of renewable generation



Incentives: Sales Tax Incentives for Renewable Energy

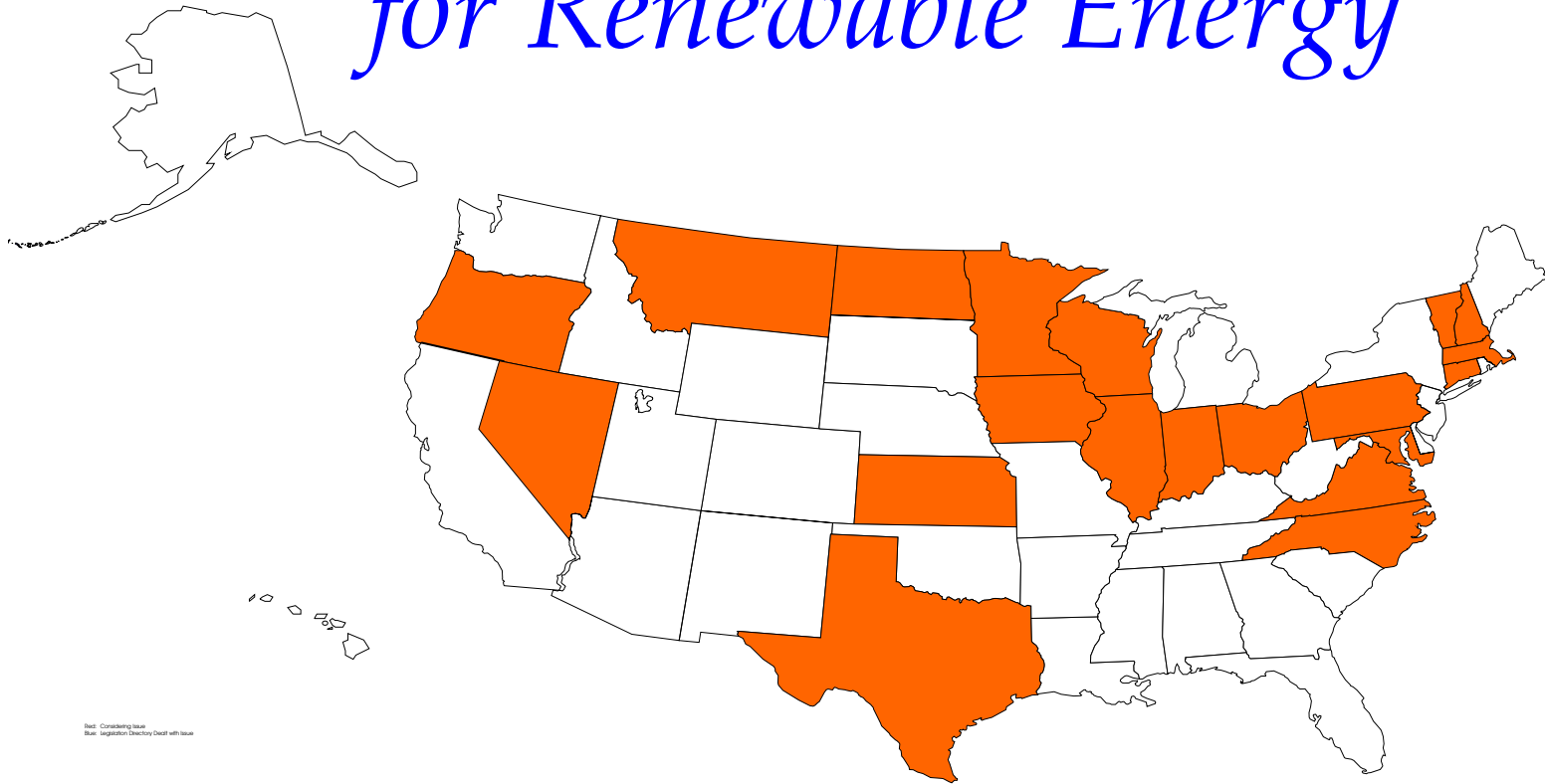


Red: Considering Issue
Blue: Legislation/Executive Order with Issue





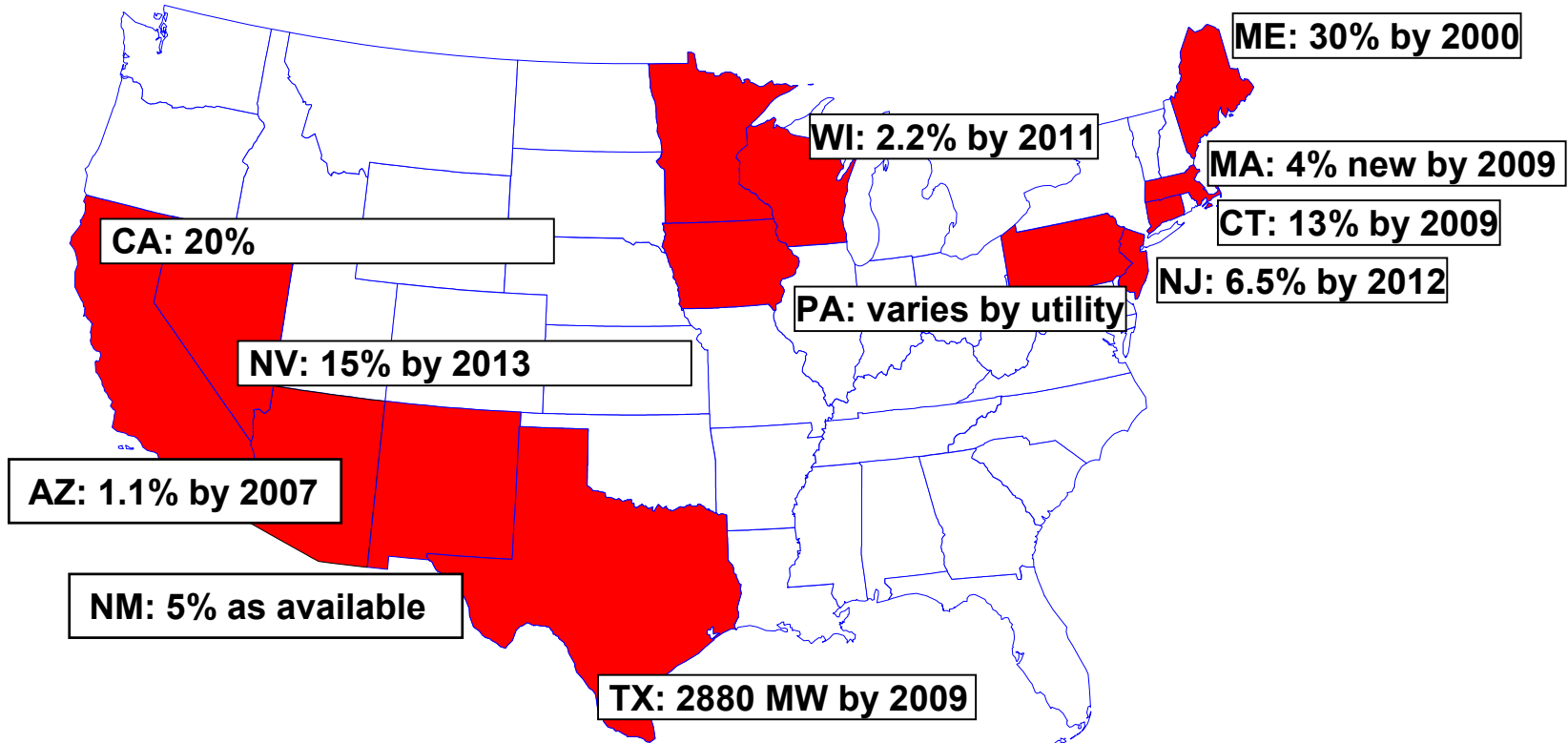
Incentives: Property Tax Incentives for Renewable Energy



Red: Considering Issue
Blue: Legislation/Executive Order with Issue



Mandates: Renewable Portfolio Standards





New States Considering the RPS

- Colorado, Washington, Utah, Pennsylvania, Maryland and others.
- The RPS was one of the most common renewables policies considered in the 2003 sessions.





Some RPS Issues to Consider

- Eligible resources
 - biomass (what's "good" and "bad" biomass)
 - hydro (large hydro? Small hydro?)
- Percentages and phase-ins
- Penalties for non-compliance
- Regional vs. in-state benefits and the restrictions from interstate commerce clause.





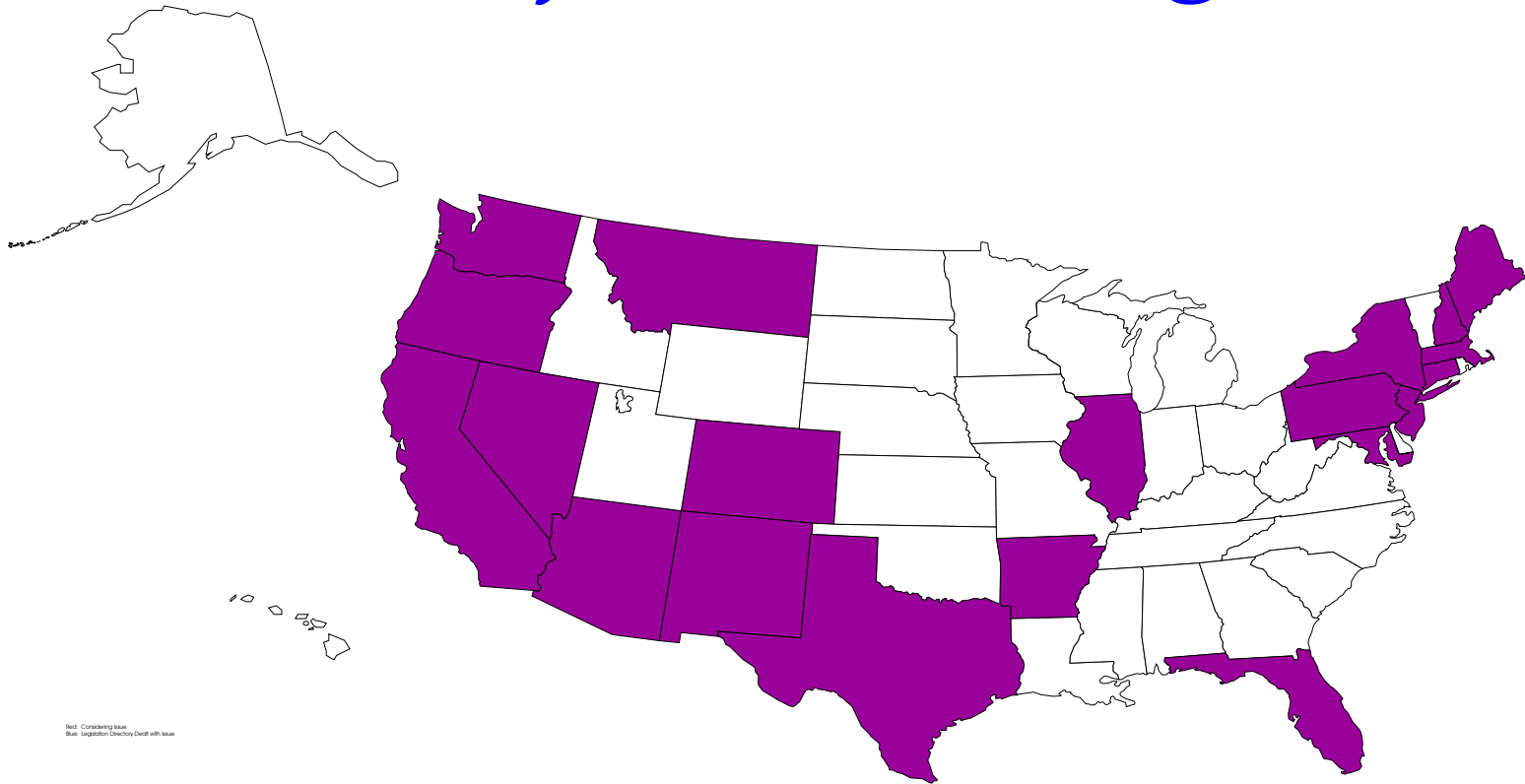
RPS Issues to Consider

- RPS policies generally work best if they include a system of tradable credits.
 - Some regions have such as system.
 - The West is in the process of developing this system, including a process of tracking and verifying renewable energy generation known as WREGIS.






Market Enabler: Disclosure & Certification Programs



Red: Considering Issue
Blue: Legislation/Directory Deal with Issue






The New Models, or What's Next?

- It is possible to blend regulation and competition, to get some benefits of competition within a regulated market.
- For some customer classes, this blending may make sense.





Market Enabler: Choice of Product, Not of Provider

- A new policy and a new model to allow customers to buy renewable energy.
- Utilities offer a choice of products, like a storefront.
- Marketers sell their products through the utility storefront.
- Customers have no choice of provider, but do have choice of product.





Choice of Product, Not of Provider

- Oregon currently runs this program with a great deal of success.
- Massachusetts is experimenting with this approach, through aggregation.
- The Rhode Island House passed similar legislation.
- Montana is investigating the option.





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- New approaches that blend regulation and competition may hold a lot of promise.

