



California Energy Commission

Performance-Based Incentive Program

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Today's Presentation

To Cover Today:

- Performance-Based Incentive Program Overview (PBI)
- Background
- Update
- Ongoing Issues



PBI Program Overview

Purpose: gain experience and collect data to verify the long term potential of performance incentives

- Designed as pilot program, started 2005
- \$10 million reserved for program
- Must meet ERP requirements, and can not be combined with ERP/other ratepayer incentives
- 12 month reservation



PBI Program Overview

- Funding is capped at \$400K for any single installation, with a \$1M cap for any corporate or government parent
- Reservation period for system installation is 12 months
- Revenue-grade meter is required
- Must coordinate with a third party provider to report performance data using a web-based reporting system or a utility reading and reporting system
- The Pilot PBI Program will not include a loan or financing element
- Applicants must participate in activities to evaluate the Pilot PBI program



PBI Benefits

- Increased tax benefits for commercial – in some instances the ability to use the full system cost for credits and accelerated depreciation
- Does not have a 30kW capacity limit like regular ERP
- Discourages poorly sited and installed systems
- Protects against removing/dismantling systems
- Promotes system maintenance
- More cost-effective



Background

- September 2004 staff workshop and December 2004 the Renewables Committee workshop on PBI
- Two main issues driving Pilot PBI Program:
 1. The quality of the PV systems and their actual performance often fall short of expectations per monitoring and anecdotal evidence
 - 2000/01 monitoring study found that hardware and software problems sometimes jeopardized system performance and noted degradation
 - Customers often didn't know how well their systems are working; the SGIP made similar findings



Background

- The ERP and the SGIP are fully or oversubscribed and cannot sustain incentives for California's dramatic PV market growth. As discussed in the 2004 Integrated Energy Policy Report, there may be more effective ways, beyond the current rebate approach, to maximize the funds allocated for these incentives
- Directly reward production of energy is attractive to policy makers vs. paying for capacity with no guarantee of output



PBI

The following system sizes would be required to generate the \$400,000 maximum cap given the capacity factor:

(PV Array kW) PTC(8760 hrs/yr) (.3 kWh/kW)(\$.5/kWh)(3yrs)
i.e., 100(kW) x 8760 x .3 x \$.5 x 3 = \$394,200

It should be made clear that this is a maximum reserved, but unlikely to get this!

System capacity factor system size required to meet cap (res.)

- 30% 101 kW
- 25% 122 kW
- **18% 169 kW (realistic)**



PBI Status

- First few months only inquiries
- Six applications total - 3 approved, 3 pending
- 1 participant online and already received first payment
- System size ranges from 5 kW to 120 kW with average approximately 60kW
- \$8.7 million remains
- Inquires increased in past 1-2 months



PBI Issues

- Revenue grade meter requirement
 - Only two on eligible list
 - Questions on definition
- Utilities not on board (PG&E is working on this)
- Tax issues and questions
- May be confusion on calculations and comparison with conventional ERP (capacity)



ERP Future

- *SB1 called for 50 percent of systems after 2010 as performance based*
- *Interest is there and has a likely future*
- *Too early to draw many conclusions from Energy Commission's program*
- *Impact from federal energy bill could be considerable and could increase demand in near term*



For More Info

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