

Docket No. EL20-42-000

PETITION FOR DECLARATORY ORDER
OF NEW ENGLAND RATEPAYERS ASSOCIATION CONCERNING UNLAWFUL
PRICING OF CERTAIN WHOLESALE SALES

Comment in favor of NERA's Petition for Declaratory Order

Reply Comments of
Citizens Against Government Waste

June 15, 2020



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Federal Energy Regulatory Commission
888 First Street NE
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Petition for Declaratory Order of New England Ratepayers Association Concerning Unlawful Pricing of Certain Wholesale Sales

Background

Citizens Against Government Waste (CAGW) is a private, nonpartisan, nonprofit organization representing more than one million members and supporters nationwide. CAGW's mission is to eliminate waste, mismanagement, and inefficiency in government. Founded in 1984 by the late industrialist J. Peter Grace and syndicated columnist Jack Anderson, CAGW is the legacy of the President Ronald Reagan's Private Sector Survey on Cost Control, also known as the Grace Commission.

Comment

Sound energy policy demands that all sources of energy be treated fairly. The government should not pick winners and losers. Unfortunately, regressive state government net metering (NEM) policies across the country hurt ratepayers, lower-income renters, and non-solar customers, who foot the bill to the benefit of wealthy solar customers and investors.

Most NEM policies uniformly require utility companies to purchase excess power from a rooftop solar customer at the higher full retail rate, also called full net metering (FNM), rather than the lower wholesale rate, even though it would cost the utility companies less to produce the electricity themselves.¹ These net metering policies help rooftop solar customers avoid paying for many of the fixed costs of the electric grid that they remain reliant on for electricity day and night. As a consequence, there is substantial cost-shifting to non-solar customers to subsidize solar customers for utilizing the grid.

An October 2013 California Public Utilities Commission Energy Division study on the cost-effectiveness of NEM found that residential "customers installing NEM systems since 1999 have an average median household income ... of \$91,210, compared to the median income in California of \$54,283 and in the IOU [investor-owned utilities] service territories of \$67,821."² In other words, the median household income of NEM customers was 34 percent higher than the median household income of other IOU customers and 68 percent higher than the median California household income. The commission also determined that the cost of NEM in 2012 was \$254 million.

¹ "The Sun Should Set on Solar Socialism," Citizens Against Government Waste, December 2015, p. 4, <https://www.cagw.org/sites/default/files/users/user98/The%20Sun%20Should%20Set%20on%20Solar%20Socialism%20web%20version.pdf>.

² "California Net Energy Metering (NEM) Draft Cost-Effectiveness Evaluation," California Public Utilities Commission, September 26, 2013, pp. 5-6, <https://www.heartland.org/template-assets/documents/publications/cpucnemdraftreport92613.pdf>.

Furthermore, the wholesale rate is not only as environmentally beneficial as FNM, it is also a more efficient and effective way of producing energy. A May 5, 2015 Massachusetts Institute of Technology study, “The Future of Solar Energy,” examined solar energy’s competitive position and how policy changes could support the industry’s growth.³ When subsidizing residential-scale solar generation rather than utility-scale generation, the FNM would produce “less solar generation (and thus less emissions reductions) per dollar of subsidy than if all forms of solar generation were equally subsidized.” This means that taxpayers and electricity consumers are funding a subsidy for residential-scale generation that does not produce as much solar electricity as utility-scale generation if it had the same subsidy.

On April 14, 2020, the New England Ratepayers Association’s (NERA) sent a petition to the Federal Energy Regulatory Commission (FERC) requesting that the agency exert “exclusive federal jurisdiction over wholesale energy sales from generation sources located on the customer side of the retail meter” and that rates be priced at the wholesale rate in accordance with the Federal Power Act.⁴ By making wholesale rates the federal standard, this petition would end regressive FNM policies, saving ratepayers billions of dollars.⁵

As NERA argues in its petition: “The inequities and inefficiencies of existing FNM rates across the country are increasingly being recognized as both unjustifiable and unsustainable in a world in which rooftop solar power is no longer an infant industry, but rather a growing part of the energy sector. The long-term success of distributed solar as an energy resource must depend on it becoming truly cost competitive with other resources, and rate reforms to more realistically compensate distributed solar are an important part of making this transition.”⁶

The future of solar energy demands practical and fiscally responsible policy. CAGW supports NERA’s petition to FERC to foster fair competition in the energy sector by instituting more energy-efficient practices and saving ratepayers billions of dollars. I urge you to approve the petition and adopt the declaratory order.

Sincerely,



³ “The Future of Solar Energy,” An Interdisciplinary Study led by the MIT Energy Initiative, Massachusetts Institute of Technology, Boston, Massachusetts, May 5, 2015, <https://mitei.mit.edu/futureofsolar>.

⁴ “Petition for Declaratory Order of New England ratepayers Association Concerning Unlawful Pricing of Certain Wholesale Sales,” New England Ratepayers Association, April 14, 2020, <https://assets.documentcloud.org/documents/6843679/Nera-Proposal.pdf>.

⁵ Tim James, Anthony Evans, and Lora Mwaniki-Lyman, “The Economic Impact of Distributed Solar in the APS Service Territory, 2016-2035,” Willia Seidman Research Institute, W.P. Carey School of Business, Arizona State University, February 16, 2016, http://azsmart-dev.wpcarey.asu.edu/wp-content/uploads/2016/03/ASU-Seidman-study-2016_FINAL.pdf.

⁶ Ibid.