



Discussion: Why Policy Matters for Distributed Generation and Why DG is More Than Electricity

Wed, January 12, 2011 - [John Farrell \(/users/john-farrell/\)](#)

I received an email this morning from a thoughtful fellow who had read some of the posts I've sent over to [Renewable Energy World](#) (<http://www.renewableenergyworld.com/real/u/john-farrell-ilsr/>). His perspective is worth sharing because it highlights the all-too-common tunnel vision we can get about renewable energy as only about electricity.

I believe the distributed energy model will be the future of the power sector. However, I disagree with one basic clause of your proposed idea: that the ownership of the systems must be with the community. My opinion is that utilities should play a vital role in the development of small localised grids. Generally speaking, utilities have access to capital and man-power, both of which go a long way towards the normal operation of any system. I don't see why an individual home-owner would want to deal with the operation of a system he/she hardly understands. We are talking about systems which generate electric current which is as dangerous as it is beautiful. I would love to hear your side of the argument. [emphasis added]



There are two significant problems with relying on utilities to develop a distributed, renewable energy future.

1. Utilities generally embrace renewable energy only reluctantly, and mostly because of government mandates to do so.
2. Utilities generally retain their belief in a centralized grid paradigm that is more appropriate for fossil fuel power than renewable energy.

Here's the rest of my response:

In every market where renewable energy has any presence, it's only through the result of strong government policy, rather than utility initiative. The two dominant policies are the renewable energy mandate (as is popular in U.S. states) and the feed-in tariff (which dominates much of the European national markets, as well as Ontario, Vermont, and a few U.S. municipal utilities).

Given the necessary choice between policies – one that maintains a utility or large financier monopoly over the electricity market and allows large firms to essentially extract the economic value of a community's economic resources and the alternative, which allows anyone with a renewable energy resource to be the one who extracts its economic value – I vote for the latter (the feed-in tariff). After all, if a community has the wherewithal to extract economic value from its native resources, isn't self-reliance preferable?

Furthermore, the feed-in tariff model provides significantly more total capital available for the renewable energy market. In the mandate model, the only players are the utilities and large equity holders like investment banks. In the feed-in tariff model, it's those two players *plus* everyone who can manage financing for their own distributed generation system. And because many of the additional players in the feed-in tariff model are individual homeowners, farmers, and small businesses, your grid becomes de facto distributed, rather than requiring additional policy (such as Colorado's state distributed generation set-aside).

While the policy decision is fairly black and white, the feed-in tariff model is additive to the mandate. Utilities and investment banks can still participate in the renewable energy market under a FIT, but so can everyone else. And a feed-in tariff has a much stronger distributed generation bias than any other renewable energy policy.

Photo: University Park Community Solar Project, Maryland (Credit: Joy Hughes)

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