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Where do FiTs (Feed-in Tariffs) Fit?

A perspective from the nation's largest renewable energy buyer

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Typical Feed-in Tariff Attributes

- Long-term contracts with fixed prices
- Identified buyer for output
- Guaranteed or streamlined transmission access
- Pre-defined contract terms
- Cost recovery through general taxes or from all customers in a defined area

Feed-in Tariffs are best suited for vertically integrated utilities outside of Regional Transmission Organizations

Marketplace and Regulatory Complications for Feed-in Tariffs

- Open Access Tariffs yield multiple potential buyers rather than a single buyer
- Retail choice creates opportunities for unequal contributions and subsidies among retailers
- Jurisdictional challenges
  - Renewables programs are State run
  - Transmission access and wholesale prices are federally controlled
- Grid access can be log-jammed with interconnection requests

Some market and regulatory environments are not well suited for typical feed-in tariffs

Options for Pricing Feed-in Tariffs

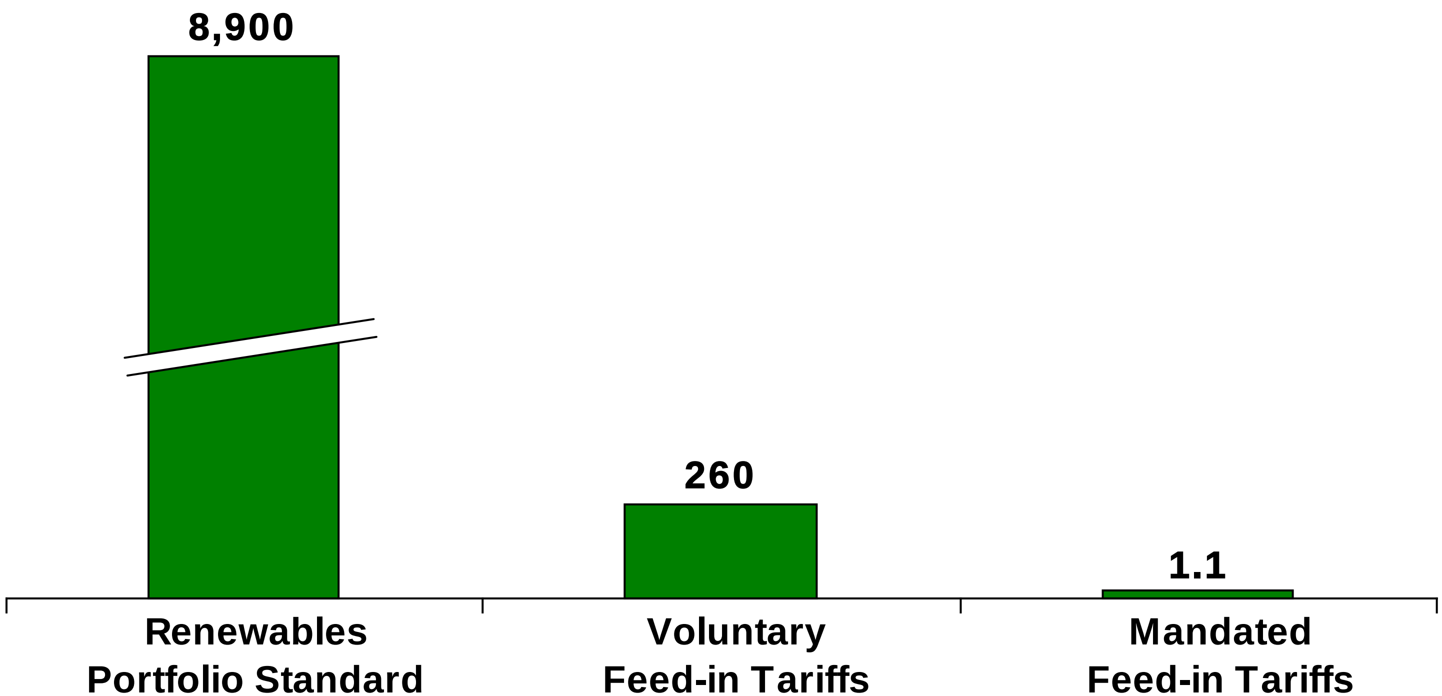
	Within Public Utility Regulatory Policies Act (PURPA) Purchase Obligation	Outside PURPA Purchase Obligation
Avoided Cost	• State-set pricing is limited to "avoided cost" under PURPA	• Projects < 20 MW retain rebuttable presumption in favor of purchase obligation • Project > 20 MW have burden to prove purchase obligation should remain
Competitive Prices	• Can be used to set avoided cost for all projects	• Competitive market must govern, as states do not have pricing authority

Comparison of Renewable Contracting Options

	Contract Terms	Prices	Program Quantity	Benefits	Drawbacks
SCE's Renewables Portfolio Standard	Negotiable	Negotiable	Fixed (% of sales)	• Flexible contracts • Balanced risks	• Lengthy negotiations • Not suited for small projects • Potential for uncompetitive prices
SCE's Voluntary Feed-in Tariffs	Fixed (updated between solicitations)	As-bid	Fixed (over multiple years)	• Creates market • Developer prices risk • Easy to update terms	• Not suited for large projects • Less flexible than RPS • Potential for uncompetitive prices
Typical Feed-in Tariffs	Fixed (defined in regulatory arena)	Fixed (administratively determined)	Variable	• Simple administration	• Lengthy regulatory processes • Inflexible terms • Over/under subscription based on price

SCE's Experience With Procurement of Renewables

Contracted Capacity, MW



# of Contracts	36	46	1
Capacity Per Contract	247	5.7	1.1

Best Approaches for Procurement of Renewables

- Large-scale solicitations for large-scale volumes
  - Flexible, negotiable terms to account for major uncertainties
  - Well suited for projects > 20 MW
  - May not work under PURPA
- Standard contract solicitations for smaller projects
  - < 20 MW can still fall under PURPA
  - No negotiation of terms, pre-defined performance standards
  - Limited timeframe for Commercial Online Dates
  - Ability to adapt contract terms between solicitations
- Competitive pricing for all programs
  - Superior approach to administratively determined prices
  - No published price cap (creates incentives to game)
  - Ability to weigh price/quantity tradeoffs
- Multi-year goals
  - Provides ability to improve competition in subsequent solicitations