2009 SGIP Market-Focused Process Evaluation Report Highlights

Navigant Consulting, May 17, 2010

The full report can be found at the California Public Utilities Commission Self-Generation Incentive Program website: http://www.cpuc.ca.gov/PUC/energy/DistGen/sgip/.

The 2009 Self-Generation Incentive Program (SGIP or program) Market-Focused Process Evaluation (2009 Process Study) reviewed the program processes from the perspective of the current self-generation market needs. The 2009 Process Study focuses on how various aspects of the market interface with the SGIP, and how program processes and requirements can be refined or modified to better meet the needs of the diverse market actors while delivering cost-effective benefits to California ratepayers.

Key Findings of the 2009 Process Study include the following:

» Providing tiered incentives for projects sized between 1 and 3 MW beginning in 2008 has led to an increase in the percentage of applications with system sizes greater than 1 MW.

» Host customers1 with active/completed2, or withdrawn3 projects find three factors most compelling in the decision to participate: concern for the environment, utility bill reduction, and improving their image in the community. Specifically, host customers with active/completed projects ranked concern for the environment number one, while host customers with withdrawn projects ranked utility bill savings as number one.

» For applications received in 2008 and 2009, residential customers were the dominant market sector with 50 applications (about 46%). This is a shift from previous years when manufacturing was the dominant market sector with 16% of the applications.

» Overall, program satisfaction is high (83% of survey respondents with active/completed projects and 39 percent of those with withdrawn projects were “satisfied” or “very satisfied”).

» A majority of host customers with active/completed projects found the program processes for which the Program Administrators (PAs) have a direct influence to be “easy” or “very easy,” while processes outside the direct influence of the PAs and which may require approval from local or state agencies or other utility departments were found to be “difficult” and “very difficult.”

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1 Host customers are investor-owned utility customers who have submitted an application to the SGIP.
2 Active projects are SGIP project that are still in the development process and likely to be completed. Completed projects are SGIP projects that have been installed and the SGIP incentive paid.
3 Withdrawn projects are SGIP projects where the applications have been withdrawn from the SGIP by the project applicant.
Consistent with the results of the 2007 SGIP Market-Focused Process Study, the 2009 Process Study found that 75 percent of host customers with an active/completed project report that an energy services company is involved with the application process.

The program timelines are not reasonable for the current SGIP-eligible technologies, which have complex and unpredictable project development cycles.

Project developer attitudes toward program changes shifted significantly since the 2007 Process Study when both developers and host customers complained generally about frequent program changes. Project developers were generally positive about recent program changes, specifically mentioning the streamlining of the application process, raising the incentive cap to three MW, and adding advanced energy storage.

The 2009 Process Study produced the following key recommendations:

- Adjust the program timelines to make them more appropriate for the project complexities inherent in wind and fuel cell technologies, and the changing business practices of private firms.
- Maintain a tiered incentive structure for projects between one and three MW.
- Monitor the new two-step application process for residential applications to ensure that it meets the needs of the residential customers and project developer and is workable for the program.
- Consider removing the 30 kW minimum system size for wind and renewable-fueled fuel cells to provide incentives for these smaller projects when the California Energy Commission’s Emerging Renewables Program ends in 2012.
- Consider requiring monitoring equipment on all projects.
- Assign SGIP staff at each PA to project developers so they have a consistent point of contact.
- Continue refinements to the SGIP application process and annual clarifications to the program handbook.
- Effectively leverage content on the PA SGIP web pages as a marketing or decision-support resource.
- Maintain a presence at industry conferences, leveraging supplemental opportunities to support participation.
- Continue PA participation in industry associations.

4 [http://www.cpuc.ca.gov/PUC/energy/DistGen/sgip/]