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The State of California
California Energy Commission

Comments of the Distributed Wind Energy Association

Revisions to the Emerging Renewables Program Guidebook

Energy Commission Docket No. 02-REN-1038

Submitted by:

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Representing DWEA

October 14, 2011

Honorable Commissioners and CEC Renewable Energy Program Staff:

Thank you for providing this opportunity to offer input on the proposed adoption of the Eleventh Edition of the Emerging Renewables Program (ERP) Guidebook. The Distributed Wind Energy Association (DWEA) appreciates the thoughtfulness of the CEC in addressing the specific problem areas in the ERP and providing appropriate additional protections for the legitimate wind industry, consumers, and ratepayers. We think the new rules will provide a solid foundation for the growth of distributed wind projects in California in furtherance of the goals of AB 32 and the Governor's call for 12,000 MW of new local renewable energy capacity.

In particular, DWEA supports the following proposed changes:

1. **Limiting rebates to 50%.** As we stated previously, this goes to the heart of the "something for nothing" schemes that led to the ERP shutdown in March. Customer must retain some financial risk for poor performance so that they will do the proper due diligence on the wind resource, products and vendors. The

huge run-up in rebate applications earlier this year was not due to the introduction of innovative, more cost-effective wind turbines and towers, but rather the ability of the bad actors to game the old rules and offer customers a 100% subsidy. The first edition of the ERP Guidebook limited rebates to 50% and we believe this is the proper level, particularly in light of the federal small wind and fuel cell incentives that are now available.

2. **Requiring third-party certification to AWEA 9.1-2009 or IEC 61400-2**. Though the proposed new eligibility criteria will stress the small wind industry in the short-term, we believe that setting the bar high is justified and squarely in the best interests of California consumers and ratepayers. The transitional requirements are strict, but do address concerns previously identified by DWEA. We applaud the CEC for taking a strong stand on quality assurance in the ERP program as it goes forward.

   However, we foresee the possibility that fictitious certification reports may be submitted, such as the one posted on the web site of a manufacturer currently the subject of CEC proceedings. DWEA has faith in the technical expertise of SWCC because of the credentials of its technical reviewers. We would, therefore, suggest that the CEC establish a mechanism by which it or its support contractor could obtain an opinion, short of a certification, by SWCC on a third-party certification the CEC was not totally comfortable with. Once the technical reviewers of other NRTL's are identified DWEA may recommend additional avenues for CEC verification of certification reports. As a minimum, we recommend that the CEC check the credentials of the third-parties and verify that they did indeed prepare the report submitted by the manufacturer.

   DWEA would recommend adding language that provides automatic removal from the eligible products list in the event that the product certification is suspended, revoked, or withdrawn.

   DWEA also recommends that the CEC state that it will not process any new rebate reservations until after the 5 day "transition period" for the current eligible products. This will hopefully eliminate ambiguity concerning eligibility for R1's submitted during this period.

3. **Setting rated power for rebates at 11 m/s**. While this will mean a reduction in rebates for some products, we support this change because it is in the best interest of California consumers and ratepayers. It goes a long way towards leveling the competitive playing field and, therefore, benefits the industry as well – at least in the long-term.

   In the future it may be beneficial for the ERP to offer a performance based incentive option for commercial customers, which are less sensitive to initial costs. This would have the benefit of rewarding turbines with larger rotors and relatively lower rated powers.

4. **Expanded criteria for delisting turbines**. DWEA strongly supports allowing the CEC wide discretion in policing the eligibility list to ensure that quality

equipment is installed and that it is properly maintained.

5. **Setting a maximum claimed efficiency of 59.3%.** In a perfect world Section F would be rendered moot by the new eligibility criteria, but we see value in its retention as a harmless additional check on the credibility of third-part certifications. We do recommend, however, that the language be edited to apply this requirement to all points on the power curve, not just the rated power.

DWEA does believe, however, that the new Guidelines should be modified in two areas to make the program more effective and to allow the local industry to heal from the extended disruption of business:

1. **The rebate for 10 kW and under turbines should remain at $3/W at least 12 months following program restart.** DWEA was advising CEC staff prior to the program shutdown that the rebate should not be reduced to $2.50/W for the first 10 kW on April 7th, as scheduled, because the recession and permitting barriers had limited the growth of the California market over the previous year. DWEA felt there had not been enough growth in sales volume to provide reductions in market prices and reducing the rebate would blunt the momentum in the market.

   Since then the situation has gotten far worse because the new sales and installation infrastructure that the higher rebate spawned has been out-of-business for approximately nine months. Retailer salaries and overhead costs have continued while sales revenues have not.

   We note that the CEC is taking measures to reimburse DyoCore-related R2 recipients and their dealers for their direct expenses, overheads, and partial lost profits. We believe the totally innocent dealers of mainstream products have incurred significant losses as well and that maintaining the original rebate level for a longer period is justifiable in the same vein as the accommodation being made in the DyoCore situation.

   The cut to $2.50/W will reduce rebates on the smaller systems, which comprise the majority of ERP projects, by 16.7%. In addition, most of the wind turbines that are currently on the eligible list and are likely to qualify to remain on the list will see rebate reductions ranging from 8 – 19% in the change to the 11 m/s rated wind speed.

   Since the upfront cash requirements are critical to consumer affordability the result will be lower sales. This is not a recipe for recovery of the sales and installation infrastructure.

   Oregon, Nevada, New Jersey, and New York provide rebates higher than $3/W, though the New Jersey and New York rebates are based on projected performance. With the new 50% cap we believe that over-subsidization will not be a problem if the higher rate is maintained for a longer period.

2. **Fuel cells that are used for back-up power, as opposed to prime power, should not be able to use half of the ERP funds.** While we acknowledge that legislation mandates the CEC to offer rebates under the ERP for renewably-

fueled fuel cells used for back-up power, we do not believe it is prudent to allocate 50% of ERP funds for these extremely low capacity factor applications. These devices may operate only a few hours per year, which makes their contribution to the AB 32 targets extremely small. We are not opposed to fuel cells being allocated 50% of the finds initially, but we recommend that only 10-25% be allowed for back-up applications.

Closing

We know the Commission is well aware of the need to restart the ERP program as soon as possible and we appreciate the Commission's efforts to expedite the process within its procedural limitations.

We again thank the Commission for taking decisive action in regards to DyoCore.

Finally, we want to thank the CEC for the assistance that the Emerging Renewables Program has provided the small wind turbine industry over the last eleven years. As an industry, we sincerely hope that the Commission will respond positively to our recommendations.

If you have any questions concerning our comments, please feel free to contact me at mbergey@bergey.com or 405-364-4212 or Justin Malan, DWEA's California Representative at justinmalan@gmail.com or 916-956-3302.

Respectfully submitted,

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A copy is being mailed to the Docket Unit.