Testimony of Brendan Reed, SolarCity
Connecticut Joint Committee on Energy and Technology
March 1, 2016

Hello Chairmen Doyle and Reed, and Members of the Committee, my name is Brendan Reed and I work as Deputy Director of Policy and Electricity Markets for SolarCity, the nation's leading provider of solar energy. I'm here today to testify in general support of H.B. 5309 – regarding municipal solar permitting, and in opposition to S.B. 224 – which seeks to increase the amount of generating capacity an electric distribution company may own. I will start with the permitting piece and move onto utility owned generation.

To start, I'd like to thank the Committee – particularly the Chairs and ranking members, as well as Representative Hoydick – for your leadership on the permitting issue over the last year or so. As you know, streamlining and standardizing the residential solar permitting process is a key way to reduce the soft costs of solar installations. These cost reductions result in faster overall project turnaround times for solar installers and, as a result, cheaper solar for Connecticut residents. Addressing this issue is important as solar continues to be a massively popular service for folks looking to reduce their electric bills. Our industry is responding to this call. The Solar Foundation's recent job census reports there are almost 2,000 people employed by Connecticut's solar industry and that 154 companies now operate in the Nutmeg State. The state has also indicated it sees solar industry growth as a key priority with the successful passage of the Governor's SHREC bill last year, which increased the state's solar goal tenfold to 300MW by 2022.

Since we started working on this issue a year ago, it seemed there was general agreement from all parties that this was an issue worth addressing but the key question was how exactly to do it. Naturally, there are some great towns to work with and some towns that could use some guidance. To that point, we are excited and encouraged by recent developments stemming from strong leadership from the Office of the State Building Inspector and the Green Bank. These two entities have organized a stakeholder process that includes the industry and municipalities to develop a guidance document of solar permitting best practices for towns to consider. While not a mandate, this guidance document will importantly have the stamp of approval from the State Building Inspector – a crucial distinction that will provide towns certainty for how to best permit residential solar. The idea is the document will be completed in the coming months and officially issued to the towns for their consideration by the end of this year.

With regards to H.B. 5309, SolarCity requests that language be altered to instruct the State Building Inspector to put together said guidance through a stakeholder process and issue it to the towns. We also request language that requires this document be updated – if determined necessary – on an annual basis to reflect the constant efficiency improvements witnessed by the solar community. Such a system could be a model for other states in the region; a compromise between the industry and the towns that allows for flexibility instead of state-issued mandates.

Now, onto S.B. 224 and the proposed increase in the allowance of generating capacity that an electric distribution company may own. SolarCity strongly opposes utilities owning generating capacity if – and this is a key distinction – it is owned under their regulated side of the business. Scenarios whereby the incumbent utility owns and/or operates generation assets directly conflict with promoting technological innovation, customer choice and fair market competition. Connecticut already has a thriving industry of third parties who compete against each other – thereby promoting the best services at the lowest costs

– to provide electricity services to residents. Allowing a regulated utility the ability to compete with its incumbent advantages intact could create an uneven playing field and would likely constrain investment and participation by investors, third-parties and/or customers.

Examples of unfair competitive advantages the regulated utility would have by owning generation include the following. First, if the utility owns both the generation and the distribution system, it would have advance knowledge of where the best opportunities exist for distributed generation assets on the grid. In other words, it would have a direct competitive advantage over third-party, distributed generation providers. Such opportunities might include areas where DG would provide the greatest avoided cost or be least likely to have interconnection challenges – two major areas that DG providers have no visibility into today.

Second, the utility has detailed historical customer usage information that can greatly facilitate customer acquisition. Access to utility bills is the first step in tailoring a DG system that most appropriately suits a customer's electricity usage. This is information that DG providers normally request after contacting the customer, not before. To that point, the utility also has personal customer information like names and addresses that can be useful for marketing purposes. Customer acquisition is one of the largest soft costs the industry is attempting to reduce, and introducing an industry participant that has a leg up in this regard would restrict competition.

Third, and perhaps most importantly, conflicts of interest may arise as the utility may be incented to utilize its own DG resources to increase its compensation. The ability to rate base generation assets would effectively eliminate customer choice in Connecticut, as access to extremely low-cost financing and a guaranteed rate of return would give the regulated utility an advantage that no other industry participant is entitled to. There is also the function of risk. Under utility-owned generation scenarios the ratepayer bears the risk of under-performance whereas with a third-party power purchase agreement, the risk is fully on the project developer. As mentioned previously, Connecticut's industry for third-party power generation is extremely healthy and driven by companies that are innovating every day in order to compete on cost and give customers the best experience possible.

In addition to these examples, there is precedent showing that utility rate-based solar is more expensive than that which is procured by independent third parties. California's solar procurement experience of a few years ago plays that out. Both Pacific Gas & Electric and Southern California Edison created programs to procure several hundred MWs of solar and split the procurement half between utility-owned and third-party owned. Midway through the program the utility-owned projects were cancelled due to the superior economics of the third-party projects.

At SolarCity we preach competition and welcome it in the industry. It should be noted that we would have no issue if a utility chose to create a DG company on the deregulated side of their business that wanted to compete without the inherent advantages provided to its regulated arm. Competition will only force the rest of the industry to up their game, and at the end of the day, most importantly, customers win.

Thank you for the opportunity to comment and I look forward to your questions.

(g) Not later than December 1,2016, the State Building Inspector, in consultation with the Connecticut Green Bank, shall develop a document of standard best practices for the permitting and inspection of residential solar photovoltaic systems. Not later than January 1, 2017 the State Building Inspector shall (1) Issue the best practices document to all 169 municipalities, and (2) recommend such practices are strongly considered in the development of local solar adoption plans.