

## **San Francisco Regional Renewable Energy Roundtable: Policies for Phase II**

**Office of Heller Ehrman LLP  
Portland, Oregon  
August 5, 2005**

The San Francisco roundtable meeting was hosted by the law firm of Heller Ehrman, and sponsored by ENEL North America. In addition, two ACORE members, EPRI and EaseEnergy were partners in coordinating the meeting. There were 28 participants, versus a plan for 20-25 participants, covering essentially all of ACORE's eight membership circles, as listed at the end of this document.

### **Background**

This was one of a series of regional outreach meetings that took place from July to early September 2005 in Austin, Boston, Chicago, Los Angeles, Phoenix, Portland, Raleigh, Sacramento, San Diego, San Francisco, Seattle, and Washington, DC.

In 2005, ACORE seeks to engage the renewable energy community with a series of regional roundtables about Phase II. Through this dialogue, ACORE seeks to identify the policies for implementing renewable energy successfully over the next 20-30 years.

Following the regional meetings that are taking place in July, August and September, a national conference will be held in Washington, DC from October 17-18 to showcase the best of policy proposals from around the country.

For Phase II to be a success our goals will require a stable, predictable and widely accepted policy envelope, with positive elements for utilities and end users, for fuel suppliers and vehicle owners, and for institutions and individuals. To this end the discussion was framed with the following questions:

- How can renewable energy supply 30%-40%-50% of our country's energy requirements by the middle of this century?
- What regional policies are successful?
- What will be necessary to make RE successful nationally?

The minutes of the meeting are presented in the form of paraphrasing the comments of the participants, in terms of national, regional, state and local-level policy, as follows.

### **Regional Policy**

**WGA:** The Western Governor's Association is the key to renewable energy development in the west, led by Richardson and Schwarzenegger. Continued policy work at the Federal level might be a waste of time, with the energy bill being signed and the energy agenda now being put aside for a while. The key now is working at the state level. What we need is a multi-state national strategy without federal legislation.

**Incentives:** We must somehow make the shift from cost-based subsidies to performance-based incentives per kWh. They have been very successful in Germany and Spain – they give the financial community what it wants – assured revenues and a stable policy environment, and so the investors and lenders have stepped up, as planned.

**Rate setting:** it also has a lot to do with electric rates and rate structures. It is not accidental that 51% of the grid-tied PV installed in 2004 went on the PG&E system, while only 18% went on

SCE's system. The difference is that PG&E has a solar-friendly rate structure, while SCE does not.

**Metering:** In California, we also need to move to time of use metering, to allow market economic signals to work. How can PV achieve its potential when the offset rate is averaged and doesn't reflect the true cost of serving load in the middle of the day?

**Financing:** renewable energy requires longer-term, lower-cost capital, because it really is all about investing capital in place of fuel. Maybe create policy that supports the formation of REIT-like investment vehicles that will finance clean tech projects and end users.

**Permitting – the theory of it:** Permitting was not intended to stop people from doing anything – it was intended to only “permit” people to do the good thing. What is better than renewable energy? We will be there when you have to get a permit not to build solar. This is fundamental, that solar and other renewables should be the first choice, not an alternative to conventional energy. It will someday be illegal to put up a roof that is not solar. How can we accelerate and get there sooner? Marin County is an example, having passed ordinances that require no net impact on water, environment, etc. And, it waives the \$1,500 fee for getting a building permit.

## **National Policy**

**Plan for Success:** We need to create a vision for renewable energy in the country. We need a plan for success. What will we do if the prices actually drop and we are faced with enormous demand for renewable energy – are we ready? There are all sorts of issues in the way of massive deployment and utilization. (There was a discussion about developing a national plan for success. Tim Woodward and Matt Cheney agreed to co-chair it. Several VC's volunteered to serve on it.)

**Regional “business plan:”** Need a business case for investor-owned renewables. We must resolve the transmission issue and the ISO/ RTO/ Q rules. Need regional wind power standards and plans. This would be far better than just approving this and that wind farm based on localized thinking. Need to think regional, with siting and transmission considerations.

**Cities = a cornerstone of Phase II:** A national success can be had with 100 cities taking the lead. Exactly what just occurred at Sundance, 100 mayors met to talk about sustainable development.

**Competitive Advantage:** A key question is what is the US's competitive advantage? Is it low cost, or manufacturing? No, our advantage is financing and development. We have financing skills and capabilities greater than any other country. We also have a development industry – the developers, lawyers, engineers, etc. – that no other country has. In manufacturing, we have already lost the lead to Europe, Japan, and others – the manufacturing of RE technology has already moved offshore and is a global industry.

## **Phase I and II:**

- Phase I was all about technology development and manufacturing -- that's what our national plan was all about.
- Phase II is about project development, financing, and energy use, and a whole new and different set of policies need to get developed.

**DOE Policy:** Renewable energy is part of Clean Tech, and Clean Tech is the new High Tech – a huge wave of technological and commercial development now happening as we speak. Example – Cyprus Semiconductor coming into SunPower. From a policy perspective, DOE needs to reorient its program to co-fund the rising ventures instead of funding government contractors.

There is an emerging disconnect between the government-funded world and the commercial/venture capital world. It would be far better if these two worlds could be brought closer together – greater benefits for the country for the money spent.

**Scalability of Policy:** To have real impact, to reach 50% by 2050, for example, we need scalability of policy. We sometimes get satisfied with anecdotal success that's not scaleable and won't create large-scale success. As said before, we need to plan for success and have policies that work at large scale.

**Labor and jobs:** Job creation is the driver for public policy in today's world. The Apollo Alliance has made progress in this area.

**National Security:** Connecting national security with renewable energy is a stretch, until you think about electric vehicles or at least the new idea for plug-in hybrids. This is a major new technology that has the potential for revolutionizing how we energize our transportation sector.

**Good Information = Good Policy:** There is a substantial need for better information about renewable energy. There is a lot of misinformation out there, and a lot of needed information that we have not prepared. The audience, at a national level, is about a dozen Congressional staff directors who determine what energy policies go forward.

**Time Scale:** This is part of global policy driven by global warming. For this we need policies on a horizon of the next 20-30 years. The Energy Bill is all short term, immediate impact. This does not address climate change.

### **Summary:**

The San Francisco roundtable meeting, attended by 28 professionals from finance, policy and technology sectors, centered around the concept of US competitiveness in renewable energy – that is, not just to get by, but to win, to succeed, and to become a world leader. The opening discussion was about "planning for success" and it continued with consideration of all the benefits and reasons to do renewable energy. There was a preference for permanent economic incentives, utility inclusion through rate-setting, and the whole dimension of financing.

### **Roundtable Attendees:**

Dan Adler	California Clean Energy Fund
Rupert Ayton	CDSF
Scott Benner*	Heller Ehrman
Eric Bowen	Sigma Capital
Matt Cheney	Renewable Ventures LLC
Rory Cox	Pacific Environment
Mike Eckhart	ACORE
Tony Facchiano*	EPRI
Jon Foster	California Clean Energy Fund
Stephen Fowler	USF
Alison Freeman-Gleason*	Heller Ehrman
Michael Garland	Babcock & Brown LP
Marc Geller	Electric Auto Association
Anna Halpern-Lande	Cyrnel
Jan Hamrin	Center for Resource Solutions
Richard Hilt	Arare Capital
David Hochschild	The Vote Solar Initiative
Tom Kelly	KyotoUSA
Jan McFarland	PVMA / ASPV
Daniel Pellegrini	Cooperative Community Energy Corp

Jodie Roussell  
Chad Sachs  
Joel Serface  
Geoff Sharples\*  
Dana Smirin  
Julie Smith-Galvin\*  
Eric Thompson  
Tim Woodward

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