INTRODUCTION
Local governments, residents and businesses want the ability to access solar energy in their communities. Rooftops, parking lots, closed landfills, former mine lands, and other spaces have the potential to produce nearly one third of Virginia’s electric needs with clean, local energy. Building this “distributed” solar saves taxpayer dollars, creates jobs, and stimulates the economy, all while lowering Virginia’s carbon footprint. Additionally, distributed generation makes the Commonwealth more resilient in the face of climate change and threats to the grid.

Virginia law supports a growing market for large-scale solar projects, but it has not kept up with the demands for small-scale, customer-sited, “distributed” solar. Worse, policy barriers hold communities back from investing in the clean energy source that customers most want today.

BACKGROUND
Currently, most distributed generation in Virginia happens through net metering, which allows customers to consume the energy their solar panels produce. If the panels produce more than the customer needs, excess energy rolls over as credit against energy used when the sun isn’t shining. Customers only pay the utility for energy if their monthly consumption exceeds the total amount of energy the solar panels produced. Customers also pay a monthly fee for transmission and distribution.

The traditional utility business model relies on large power stations pumping electricity onto a one-way grid. Distributed generation disrupts this by producing electricity where it’s used, reducing the need for long-distance transmission and saving customers money. Distributed generation, particularly solar, provides numerous other benefits, such as reducing the need for the utility to build expensive new generation; helping to reduce carbon emissions; and increasing grid resilience and emergency preparedness in communities.

Net metering is critical to the growth of Virginia’s distributed solar industry. Once grid transformation is complete in Virginia, other options may emerge to replace net metering as a tool for expanding distributed solar. Policymakers should ensure that any new approach delivers economic advantages to customers that are equal to or better than those offered by the net metering model.

Additionally, Virginia can encourage the deployment of renewable energy by addressing the barriers and disincentives that exist under current law. Right now, Virginia offers none of the financial incentives offered by states that have the most distributed solar. Without tax credits, rebates, or a mandatory renewable portfolio standard to support a market for solar renewable energy certificates (SIRECs), many customers can’t afford the upfront costs of solar.

Virginia law also imposes a thicket of limitations, conditions and penalties on the solar industry and customers. Together these barriers add up to millions of dollars of lost revenue growth for Virginia. These impediments vary from one utility to another, but include:

- Barriers for the solar industry include a limit on the total amount of net metered solar allowed in Virginia;
- Barriers to local government solar include a prohibition on using the electricity produced at one site to serve buildings on a different site, and limits on the use of third-party financing;
- Barriers to residential solar include added fees known as standby charges that act like a tax on large residential solar facilities, barriers to using a single solar facility to serve an apartment or multi-family housing complex, and a requirement for customers in investor-owned utility territories, such as Dominion and Appalachian Power, that a solar array can’t be larger than would have been needed to meet the previous year’s demand, regardless of current needs; and,
- Barriers to solar for businesses include a project size cap for net metered solar facilities, barriers to using a single solar facility to serve two or more meters, and a barrier preventing a building owner from selling the output of a solar array to tenants.

CONCLUSION
Building solar in Virginia’s communities makes sense for the Commonwealth. A combination of new incentives, removing barriers, and protecting customers’ rights to access renewable energy will create a robust market for local, clean energy. Increasing the amount of distributed generation in Virginia will contribute to building a more resilient grid and support a larger transition to renewable energy.

POLICY RECOMMENDATIONS
- Support distributed solar through incentives such as tax credits, rebates, or low-interest loans.
- Remove barriers that limit customers’ access to distributed solar, including lifting the 1% cap on net metering for customers in investor-owned utility territories, affirming the legality of third-party power purchase agreements for all customers, and allowing local governments to use electricity from a solar project on one property to serve buildings on nearby properties.
- Implement specific programs to expand access to distributed energy for low- and moderate-income customers.
- Reject any changes to the net metering compensation structure, unless those changes, at a minimum:
  - grandfather all existing net-metering customers;
  - mandate that any changes to net-metering do not take effect for at least five years; and,
  - ensure the economic incentives are as good as or better for customers than the current net metering system.

In recent years the General Assembly has taken action to support investments in utility scale solar facilities. Now, policymakers should embrace the opportunity to address carbon pollution and grow the economy by supporting small-scale solar in the Commonwealth.

BREAKING DOWN BARRIERS TO SOLAR IN OUR COMMUNITIES

by Main | Sierra Club, Virginia Chapter | William Cleveland | Southern Environmental Law Center
Dan Holmes | Piedmont Environmental Council

56 | POWERING VIRGINIA WITH CLEAN ENERGY

SOLAR PANELS ATTACHED TO THE ROOF OF THE PIEDMONT ENVIRONMENTAL COUNCIL OFFICE IN WARRENTON, VIRGINIA

Image credit: David Oglethorpe