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Community solar struggles to benefit low-income residents

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The potential money to be made if the state allows an entire city to sign up its residents for savings from small-scale solar projects has the community solar industry and adjacent companies in the energy landscape in a fierce battle to defend their turf.

Solar developers, companies that solicit customers for those companies and administrators for community choice aggregation programs are among those weighing in on the issue. The fight centers on whether local governments can enroll residents to receive the benefits of community solar on an opt-out basis, within the construct of local bulk energy purchasing or without it.

A related dispute has arisen over whether a utility, supported by the state, can enroll its low-income customers on an opt-out basis. Some industry players see that proposal as an existential threat.

Why it matters: Community solar is intended to give people unable to install solar panels on their roof access to the renewable energy economy — and the bill savings generated by the panels — with no upfront costs. New York has failed to achieve equitable participation from low-income communities, and opt-out programs have been floated as one way to reverse that trend as the state strives to live up to the requirement in its landmark climate law requiring 35 percent of benefits from clean energy funds go to disadvantaged communities.

The companies that help local governments select energy suppliers, scouring the market to find the lowest cost option for the preferred 100 percent renewable option, also want to offer their customers opt-out solar. Known as community choice aggregation, the ability for a town or village to negotiate lower rates and support clean energy goals on behalf of residents is seen as an essential part of supporting the state's renewable efforts and engaging people more on their energy consumption.

What's at stake: These battles, playing out in obscure filings before the Public Service Commission, have implications for the ultimate shape of the community solar market in New York and who will benefit from subsidies funded by ratepayers. Incumbent players and upstarts alike are making decisions about investments and seeking to protect businesses created by regulatory fiat.

State of the market: New York was first in the nation for community solar installations in 2020. The market has taken off substantially since it was established in 2015, with the industry handling a transition in payment structure and declining subsidies.

There's about 530 megawatts of community solar installed and 2,100 MWs in the development pipeline, according to the state. The customers signed up for the benefits of projects are disproportionately from higher-income communities, according to a state analysis.

Project developers warn that expiring incentives and escalating land acquisition, permitting, interconnection and soft costs mean the existing pipeline is at risk.

"We're seeing zoning codes that are really cracking down," said Emilie Flanagan, managing director at Carson Power. "There are a lot more costs behind the scenes to make one project go."

Opt-out for communities: One cost for community solar, which splits the savings from energy generated from a project under 2 MW with many subscribers, is the expense of signing up those customers. People can be leery of a no-strings-attached promise of savings with zero or minimal upfront costs, especially if they have to provide payment information.

A potential policy option to lower those costs — and provide more benefits to communities pursuing 100 percent renewable energy — is to let local governments sign up residents for community solar projects. The concept is already moving forward on a case-by-case basis with the blessing of the Public Service Commission, although it is limited to where CCA administrators have secured an energy supplier for the community.

Not everyone is enthusiastic about the involvement of CCA administrators or local governments. The scarcity in community solar is not customers — it's getting projects available, said Joel Gamoran, an executive at Arcadia Power, which signs up and manages customers for community solar projects.

"We've got upwards of 20,000 customers on the platform waiting for a spot," he said during an industry conference. "Should a municipality be able to jump the line?"

Arcadia has also argued in filings that there's no evidence community solar opt-out programs will save money given the requirement for increased customer education. Concerns were also raised by Gamoran and others that most CCAs are more affluent communities with fewer low- and moderate-income residents. Westchester County is the base of the state's first CCA.

Joule Assets, which administers CCA programs and has several community solar project agreements in the works on behalf of the communities it serves, suggested that regulators could impose requirements to ensure low-income individuals benefit.

"CCAs are uniquely positioned to ensure that low-income customers are at the front of the benefit line," the company wrote in comments on a white paper addressing the future of CCAs.

"Every opt-out CDG implementation plan could be required to offer credits to low-income residents and neighborhoods, first."

Community solar only: Two different companies have proposed a community solar only opt-out program under the CCA construct.

Ampion, which primarily acquires and manages customers for community solar projects, proposed to run a standalone solar program for the town of Ballston. Officials in the small community of 10,000 don't think they'd be able to attract a low-cost energy supply as part of a CCA program.

"Towns like Ballston are likely to be the sweet spot for [local governments pursuing community solar on an opt-out basis] that may not see much savings on commodity service from a traditional CCA but that can guarantee savings to their residents while contributing to the development of a material amount of new solar capacity in the region," the Ampion petition from April states.

The option for this structure could help lower costs and encourage development of marginally profitable community solar projects, Ampion's Chris Kallaher said in an interview. He noted that while current CCAs are higher income, those aren't necessarily the ones Ampion would pursue for this model — and it may attract a different set of local governments than the all-in CCA model.

"Let the actual communities make that choice," he said.

This concept garnered support from Citizens for Local Power, a Kingston-based group advocating for community-driven renewable energy. Concerns raised by opponents are similar to those around opt-out solar as part of a broader CCA program, including harming competition due to limited availability of community solar projects.

Another company pitching their own solar opt-out program is a solar developer, which opponents say would be a clear conflict of interest. Delaware River Solar's affiliate, Upstate Power, filed a petition in April to be approved as a CCA administrator. The company has developed 100 MW of community solar since 2015 and wants to leverage that experience to help communities access the benefits of those types of projects.

The petition was supported by the town of Delaware, where Delaware River Solar is based, and various Sullivan County groups.

Incumbent administrators of CCAs warn the proposal creates a direct conflict if the developer of projects is also the administrator of the CCA program.

"An administrator really needs to be impartial in the market," said Jessica Stromback, CEO of Joule Assets. "The less the residents earn and save from solar, the more the project developer will earn on their investment."

Upstate Power in a July 20 filing pushed back against this argument, stating it can run a fair and transparent process and is willing to not accept any bids from Delaware River Solar without regulatory approval. Their proposal offers a unique, more competitive approach to opt-out community solar, the company argues.

The company proposes to accept bids from developers in an competitive auction without a floor price in contrast to current administrators and forego an upfront fee from municipalities. That will encourage the development of more community solar, Upstate Power argues.

Utility pitch: NYSERDA and National Grid have also filed a petition facing steep opposition from local governments to have the utility enroll its low-income customers in community solar on an opt-out basis. CCA administrators and local officials warn the utility will uptake too much of the available pipeline, squeezing out local governments best positioned to advocate for low-income residents.

Sara Jayanthi, NYSERDA's project manager for NY-Sun, said the "Expanded Solar for All" utility program takes lessons learned from the challenges of Solar for All. That program is run by NYSERDA and seeks to sign up people making 60 percent or less of the state's median income on an opt-in basis.

The Solar for All program, first announced in January 2018 with a goal of providing bill credits to 10,000 New York residents, has just 4,000 subscribers so far. The expanded program through Grid could provide benefits to 170,000 low-income residents.

"Low-income customers who are getting assistance are always concerned about joining a new program that might impact their existing assistance," Jayanthi said during a panel hosted by the New York Solar Energy Industries Association. Having the utility provide the bill credit is "just an easier customer experience," she added.

But local governments are warning this is a huge overstep by utilities and threatens their own efforts to sign residents up for cost-lowering solar. More than 20 have filed letters opposing the Grid program. Companies that acquire customers for community solar projects have also raised objections.

"The potential to fulfill the state's laws and obligations for low to median income customers by using local municipal leadership who know these residents … is excellent and in place," Stromback said. "Destroying it is destructive and unnecessary."

Taking up 600 MW of community solar for a utility-run program, where municipalities offering their own option have to prove they provide more savings if they want to enroll low-income residents, is counterproductive, Stromback said. There are about 3,400 MWs of community solar in the queue in National Grid's territory, according to NYSEIA, but a portion of those projects are unlikely to be built.

The proposal would require municipalities to show their programs offer more savings if they want to sign up low-income customers living there.

“The municipalities are explicitly a second class citizen in this structure,” Stromback said.

Multiple approaches: Shyam Mehta, executive director of NYSEIA, said there’s room for multiple options to address the issue of low-income customer participation.

“There should be room in an ideal world for CCAs, for utility-administered low income programs and private market participation on the customer acquisition side, especially at this early stage where we don’t know what’s going to move the needle on low-income customer participation,” he said. “There hasn’t been much of a programmatic or policy push until literally now to move the needle on that.”

What’s next: These interlocking issues seeking to boost low-income participation in community solar as part of opt-out programs are being dealt with as part of ongoing proceedings in front of the Public Service Commission. There’s no date certain when the issues will be decided.

Comments are due on the National Grid and NYSERDA utility opt-out program on Aug. 23.