



Legislature makes it possible for commercial buildings to spin the meter backwards

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For years, clean-energy advocates have dreamed of the day when the rooftops of industrial facilities, office buildings and big-box retail stores would be covered by solar panels and small scale wind turbines. In June of this year, the NYS Legislature passed a package of bills that come closer to making that dream a reality.

The bills expand "net metering" to commercial facilities in N.Y. Net metering is the practice of producing electricity on-site from solar or wind power systems and selling any unused electricity back to the utility. Facilities with their own solar or wind-energy systems can thus "spin the meter backwards," offsetting some or even all of their monthly or annual energy bills. Such programs also help to shrink the "payback period" for the cost of installing such systems, which is critical to the expansion of solar and wind power production in the U.S.

N.Y. has had net metering laws on its books since 1996, but those laws only applied to residential solar installations and systems generating electricity from agricultural waste. Later amendments added small wind turbines to the mix. But since the laws did not allow commercial facilities to participate, net metering wasn't available where it made the most sense, at large commercial buildings with high loads and ample rooftop space. Furthermore, the earlier laws limited the amount of electricity that could be sold back to the utility to 0.1% of that utility's total demand (measured as of 1996). Thus, even if there had been a significant response to the net metering laws, the total amount of capacity in the program was limited.

The new statutes aim to address those limitations. First and foremost, the new laws authorize non-residential customers to take advantage of net metering programs. Second, the total amount of power that is eligible for net metering for each non-residential customer has been established at the fairly high level of either two megawatts, or the customer's peak load over the prior twelve month period, whichever is less. (For residential customers, it has increased from 10 to 25 kilowatts.) Third, the total amount of power from all installed systems that is eligible for net metering has been increased to 1% of the applicable utility's total load (measured as of 2005). As a result of those changes, commercial and industrial facilities in N.Y. can now take advantage of net metering for a sizable amount, if not at all, of the power they generate.

Participation in the program is fairly simple. The customer must first enter into a contract with the utility governing the arrangement. (This contract will be in a standard form approved by the Public Service Commission, so it is not expected to lead to drawn out negotiations.) During installation of the power system, a meter is added to measure the amount of flow between the grid and the facility.

Once the system is in operation, the amount of electricity sent back to the grid is netted out of the customer's monthly bill, and, if the balance is in favor of the customer, a credit is applied to the following month. If at the end of a twelve-month period the balance is still in the customer's favor,

the utility pays the customer the utility's "avoided cost" (not retail cost) for the value of the excess electricity produced during that period.

Net metering improves the economics of solar and small wind technologies. Now, not only can those systems provide power at predictable cost, but they can also provide additional revenue, further offsetting energy and installation costs. The timing of this legislation also coincides with a widely expected reduction in the cost of solar technology over the next few years (as the number of manufacturers grows and shortages of raw materials ease), which should make solar systems even more attractive to commercial building owners.

The combination of high fuel prices and heightened attention to energy efficiency have already led many companies to begin exploring the feasibility of solar or wind energy systems - in fact, several solar and wind installers have reported a backlog of customers waiting for net metering to go into effect before going forward. As another sign of things to come, many installers are adding employees in anticipation of a flurry of new activity over the next few years. Accordingly, most analysts expect the combination of these factors to lead to a significant increase in the number of solar and small wind installations in N.Y. in the very near future.

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