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Third-Party Community Solar

In a regulated energy market, utilities are the sole providers of electricity, and they control the entire process from generation to distribution. This market structure can make the implementation of community solar programs more complex, but it is still feasible.

What is Community Solar? Community solar is a system where multiple customers — often individuals, businesses, or organizations — purchase or subscribe to a portion of a solar facility that is not located on their property. Participants receive credits on their electric bills based on the amount of energy their share of the solar project generates.

In a regulated market, utilities are granted a monopoly on electricity supply in a geographical area set by law, and customers in that area, with some limited exceptions, do not have the option to choose their electricity provider. This means:

1. Community solar projects cannot operate independently and sell electricity directly to customers because only the regulated utility can sell power to customers in its service area.

2. The Public Service Commission (PSC) sets the rates for electricity. It would have to be given responsibility in statute and thus directed by the General Assembly to create a program for billing credits or financial incentives related to community solar.

It is possible for community solar to be implemented in regulated markets by amending state law.

Currently, in some regulated markets, including in Georgia with its regulated provider, Georgia Power, community solar programs are owned and managed by the utility itself. Here's how it works:

- The utility develops, owns, or partners with developers to build solar farms:
- Customers can subscribe to a portion of the solar farm's output.
- The utility tracks each subscriber's share of the solar generation and credits their electricity bill accordingly. This is easier to implement since the utility already controls the infrastructure.
- Streamlined billing and credit mechanisms.
- Lack of competition might reduce incentives for the utility to offer favorable terms to customers.

- Limited options for consumers who want to choose different providers.

1. With changes in law and implementation of the proper regulatory plan, third-party developers can partner with the utility to create a community solar program.

- A third-party developer builds and manages a solar farm.
- The utility purchases the electricity generated by the solar farm under a power purchase agreement (PPA).
- The utility then allocates bill credits to participating customers based on their share of the solar project.

Pros:

- Allows third-party developers to participate in the market.
- Can bring more solar projects online by leveraging private investment.

Cons:

- Requires regulatory approval and coordination between developers and utilities.

- May involve complex negotiations over pricing and credit structures.

2. Virtual Net Metering (VNM) Policies

To facilitate community solar, some states with regulated markets allow for virtual net metering (VNM), where customers receive bill credits for solar power generated at a different location. Here's how it works:

- A solar project generates electricity and feeds it into the grid.
- The utility measures the amount of energy produced by each subscriber's share and applies credits to their utility bills as if they had generated that electricity on their own property.

Pros:

- Encourages the development of solar projects without requiring direct competition with the utility.
- Provides a mechanism for subscribers to benefit financially from shared solar.

Cons:

- Requires state regulators to approve VNM tariffs and credit structures.

- Utilities may be reluctant to adopt VNM if it reduces their revenue.

Several states with regulated markets have successfully implemented community solar programs:

- Minnesota: Through its “Solar Gardens” program, utilities manage subscriptions and bill credits while allowing third-party developers to build solar projects.
- Colorado: The state’s community solar program allows third-party developers to partner with utilities, enabling customers to subscribe to solar gardens.
- New York: Although regulated, New York has virtual net metering policies that encourage community solar development through utility-administered credits. Key

Takeaways:

1. Community solar is possible in regulated markets, but it requires close coordination with utilities and state regulators.
2. Utility ownership or partnerships are common models in these markets.
3. Virtual net metering policies can help enable community solar by allowing bill credits for off-site generation.

4. The success of establishing third-party community solar in regulated markets requires amending state law, and that requires support from ratepayers.

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