Micro Power Producers Act of 2007

Comparison with HR 729

Payment

- The **Micro Power Producers Act of 2007 (MPPA)** pays electrical entrepreneurs (those who generate their own electricity via renewable sources) with real money.
- **HR 729** pays electrical entrepreneurs with credits good for buying electricity from same utility. These credits expire at end of year. It's like having a bank account from which money cannot be withdrawn and which can be closed by the bank.

Paying electrical entrepreneurs cash for the extra energy they produce will increase the number of installations by allowing entrepreneurs to recoup their investment. This makes it more feasible for entrepreneurs to finance renewable power systems.

Under GAAP rules, energy generators can be recognized as assets only if they generate a revenue stream (as under the MPPA, but not under HR 729). Qualified generating units increase the value of a house by GAAP standards more under the MPPA rules (thus making it easier to obtain financing) than under HR 729 rules.

Payment Structure

- The **MPPA** pays electrical entrepreneurs up to 90% of retail for power produced in excess of what they use, and decreases compensation as size of power source increases. As the excess power produced by individual entrepreneurs increases, they become less like small entrepreneurs and more like large-scale power plants. Reflecting this gradual change in character, the rate that utilities pay for power from a single producer gradually decreases from near retail toward wholesale, but is never less than 50% of retail.
- **HR 729** pays at 100% of retail, but does not pay cash for power produced in excess of what the entrepreneur uses.

Utility Regulations

Utilities have instituted regulations that forbid electrical entrepreneurs from buying or selling power to others via the grid (the only way practical to do so). Some states have instituted laws that forbid utilities from instituting such regulations.

- The **MPPA** imposes higher standards. It uses the federal government's right to regulate commerce to remove the utilities' regulations.
- **HR 729** imposes a lower minimum standard. Motivated by federalism, it defers more to states—effectively leaving more utility regulations in place.

Program Expiration

- The **MPPA** ensures that the grid will become more stable by increasing the number and distribution of power providers. The only limitations are physical constraints imposed by the grid.
- **HR 729** benefits disappear as more and more entrepreneurs join the grid (1% and 2% exclusions). This thwarts the principle that large numbers of small power generators increase stability and that different energy sources are uncorrelated with each other. It also disregards the experience of other nations; Denmark, for example, gets as much as 41% of its electricity from wind power during the stormiest months (http://www.newenergy.info/index.php?id=1350).

Ownership of Green Attributes (Renewable Energy Credits, Carbon Offsets, Etc.)

- The **MPPA** allows entrepreneurs to extinguish green attributes (renewable energy credits) from their renewable power generation, making them unavailable for sale to polluters. Alternatively, the entrepreneur may permit the utility to use them to satisfy its legal obligations (e.g., renewable portfolio standard), most likely in exchange for a payment, probably a small fraction of the open-market value (what else can the entrepreneur do with them?). Utilities will recognize this as a good deal, likely increasing their support for this act and encouraging their customers to install renewable energy systems. This will accelerate the build-out of such systems.
- **HR 729** gives all ownership of green attributes to electrical entrepreneurs. This has little practical benefit for entrepreneurs, since most of them will have no way to sell these credits. In addition, HR 729 provides no incentive for utilities to enlarge the installed base of renewables via grid-connected entrepreneurs.

Defining Capacity

- The **MPPA** does not rely on a definition of capacity. If such a definition becomes necessary, capacity would be defined as the total amount of power dispatchable over the grid (as determined by a monthly or yearly average).
- **HR 729** defines total capacity as the total amount of power that entrepreneurs can generate and limits this to no more than 2% of the total grid power. Once entrepreneurs generate that amount of power, no matter the circumstances, reimbursement for all entrepreneur-generated power ends.

  For example: A utility has 100 customers. If one home installs a system that generates all of its own electricity plus a little extra, the utility pays that customer for the extra energy created. If 10 of that customer's neighbors then install systems that generate half the power they need, but none of them ever produces enough to have extra, the amount they generate will still trigger the 2% limit of HR 729, stopping all payments from the utility, even to customers who do generate extra.