

Solar Alliance Policy: Definition of Distributed Generation

It is the objective of the Solar Alliance that whenever possible states should promote the broadest definition of distributed generation in order to encourage the installation of a wide variety of projects, including both net-metered systems serving on-site load and systems that feed electricity to multiple customers (e.g., community solar) or the utility directly (so-called “wholesale” distributed generation, or WDG). In practice, however, the solar programs in some states are so small that opening them up to WDG projects might effectively eliminate the potential for systems serving on-site load. In these circumstances, we believe it is inappropriate to crowd out systems directly serving customers, who are typically funding incentive payments through billing surcharges.

It is our recommendation that states draw a distinction between these categories of solar projects according to the following definitions:

- “Retail Distributed Generation” means electric generation sited at a customer’s premise and connected on the customer’s side of the electricity meter, providing electric energy primarily to offset customer load on that site with periodic excess generation exported to the grid under applicable net metering tariffs.
- “Wholesale Distributed Generation” means electric generation connected directly to the distribution network providing wholesale capacity and energy to an electric utility for use by multiple customers in contiguous distribution substation service areas at normal distribution voltages.

Each state is encouraged to examine its potential for solar installations, megawatt targets under renewable portfolio standards and available incentive funds for encouraging renewable energy installations. Based on this examination, states may decide to support Retail DG only or Retail and Wholesale DG combined.

Wholesale distributed generation has the potential to contribute significantly to the overall goal and should be supported. To ensure that customer-owned systems remain the focus of this effort, however, we encourage states that choose to include both wholesale and retail systems in their distributed generation program to limit the amount of available funding that can be used to support wholesale DG projects. In general, the Solar Alliance recommends that states set aside between 10% and 20% of the total DG program for these systems, but we encourage each state to determine the final percentage based on conditions within that state.