

The Public Utility Regulatory Policies Act of 1978

What is PURPA?

Congress passed the Public Utility Regulatory Policies Act of 1978 (PURPA) to encourage fuel diversity via alternative energy sources and to introduce competition into the electric sector. This competition came in the form of Qualifying Facilities (QFs).

A QF is a Federal Energy Regulatory Commission (FERC)-approved electric generating facility that falls into one of two categories:

- Small power producers, which are generating facilities of 80 MW or less whose primary energy source is a renewable resource, biomass, waste, or geothermal; and
- Cogeneration facilities, which sequentially produce electricity and another form of useful thermal energy.



PURPA provides QFs with the right to interconnect with a utility-controlled grid and requires utilities to purchase the QF's energy and capacity – the mandatory purchase obligation – at “avoided cost.” Avoided cost is what it would have cost the utility to generate or contract for the energy and capacity in the absence of the QF.

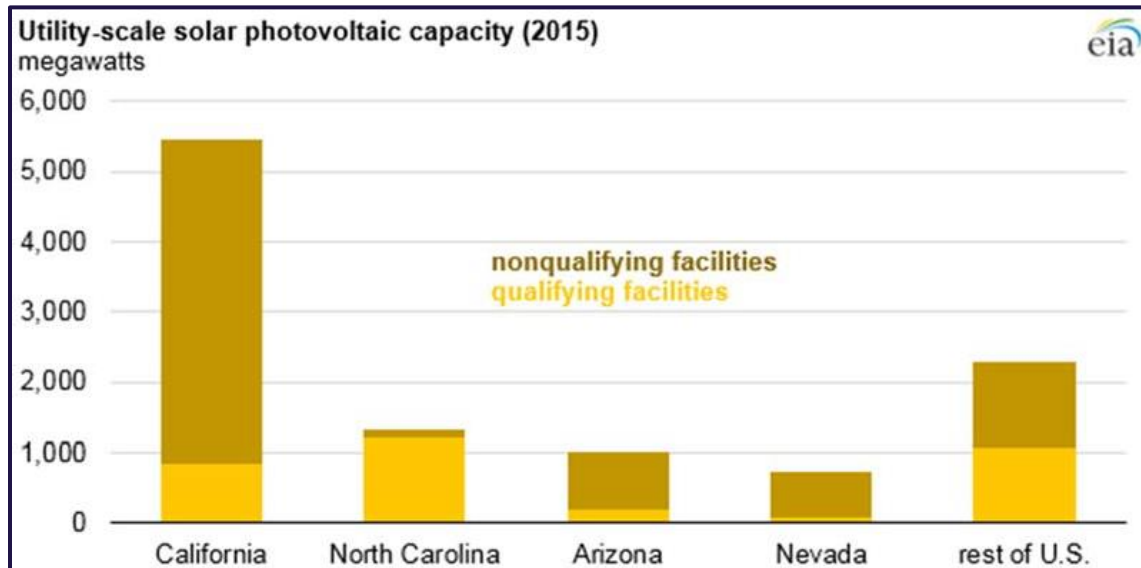
The Energy Policy Act of 2005 amended PURPA and removed the mandatory purchase obligation on utilities operating in competitive wholesale markets from most QFs greater than 20 MW. The obligation remains for power from generators less than 20 MW, even within competitive markets.

Implementation of PURPA's requirements is a shared responsibility between FERC and state Public Utility Commissions (PUCs).

FERC sets the regulatory framework, while PUCs establish avoided cost rates and set PURPA contract terms.

PURPA Today

Solar prices have fallen significantly in the past decade, and now solar electricity can be delivered for less than a utility's avoided cost in a growing number of states. This has made PURPA an attractive option for solar developers. Analysts at Greentech Media predict that PURPA will be the top driver of utility-scale solar installations in 2017 and beyond. PURPA also serves as a meaningful backstop when securing financing for projects that do not intend to be QFs. Faithful implementation of PURPA is essential to the continued growth of solar.



Attacks on PURPA are Attacks on Competition

Attempts to alter the federal PURPA statute are misguided and, at their heart, anti-competitive. In some states, we have already seen discriminatory treatment of solar QFs through dramatic cuts to contract terms (2-year terms in Idaho), reductions in avoided cost rates (30 percent cut in Montana), and failure to provide open access in the interconnection process. In addition to being discriminatory and anti-competitive, these changes will make the financing of new solar power plants more expensive, if not impossible.

Congress should maintain its commitment to a competitive electricity supply in the U.S. and ensure that any changes to PURPA enhance competition. The goal of PURPA was to ensure that small generators, unlikely to be treated well by incumbent utilities, had the power of this federal statute on their side. Now is not the time to erode the rights of Qualifying Facilities.

Any changes to PURPA should enhance competition, not stifle it

About SEIA

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