

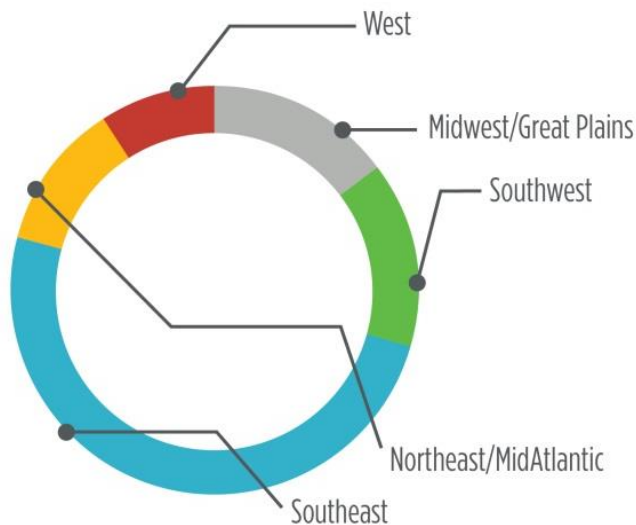
Survey: Distributed Generation – What’s on the Horizon?

Cristin Lyons, Paul Quinlan | April 2014

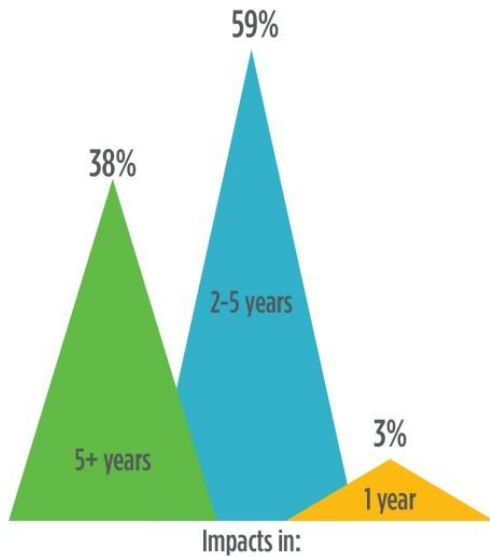
2013-2014 Survey Highlights

ScottMadden recently conducted a survey focused on distributed resources. This study surveyed utility professionals to examine what they viewed as the threats and opportunities of distributed generation. Survey participants were asked to provide their sentiment on three key areas: 1) imminent threat posed to utilities by distributed resources, 2) growth of distributed resources without incentives, and 3) revisiting net-metering rules.

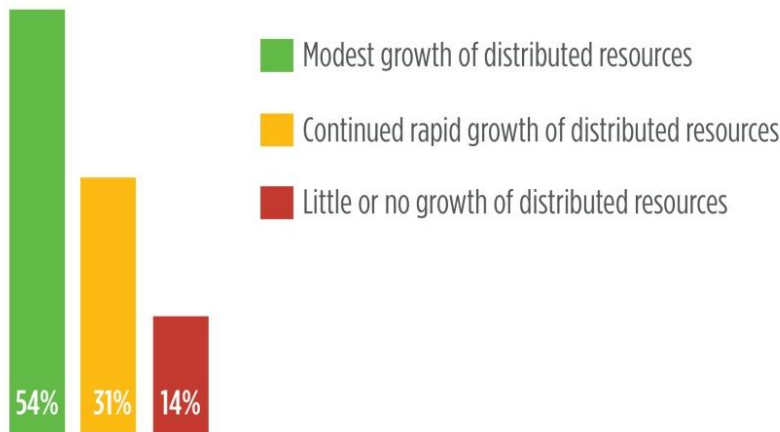
Survey respondents were based in various part of the country including: Southeast (50 percent), Southwest (15 percent), Midwest/Great Plains (15 percent), Northeast/Mid-Atlantic (12 percent), and West (9 percent).



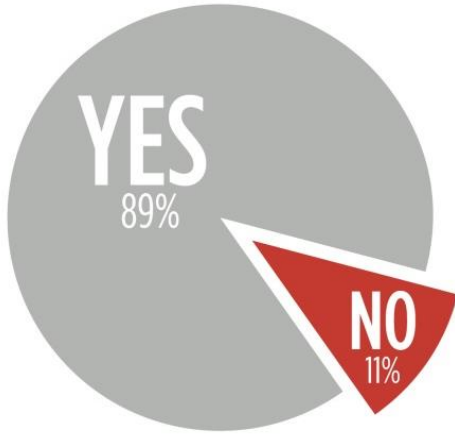
When asked about the imminent threat posed to utilities by distributed resources, the majority of survey respondents replied that the threat is likely to come in 2-5 years, receiving 59 percent of responses. Impacts in five or more years ranked second, receiving 38 percent of responses. These finding highlights the disturbing truth that these risks are rapidly approaching the utility industry. A major driver of this transformation is the rapid and continued decline of solar PV installation costs coupled with new business models, such as third-party ownership of solar.



The summary indicates that 54 percent of survey respondents predict modest growth of distributed resources without incentives, while 31 percent expect there to be continued rapid growth of distributed resources without incentives. This sentiment reflects the potential of distributed generation to reach grid parity in markets with high rates (e.g., Hawaii) or favorable rate structures (e.g., tiered rates in California or time-of-use rates in Arizona).



Of those surveyed, 89 percent believe that today's net-metering rules should be revisited. This sentiment reflects a growing discussion around net metering and possible alternatives. More importantly, the debate is not limited high growth markets as the conversation is occurring from California to Louisiana to Minnesota.



ScottMadden expects distributed generation to remain a key issue for the electric industry over the long term. However, we believe the impact and rate of change will be uneven across the United States. Markets with favorable incentives, policies, and rates will experience changes more rapidly. Further, we expect regulators in these markets to proactively explore equitable alternatives to traditional net metering. For example, the Minnesota Public Utilities Commission recently approved a value of solar tariff methodology and the California Public Utilities Commission will adopt a net metering “successor tariff” in 2015.

We want to hear from you! How do you see distributed generation in the industry?

For more information or to provide comments on this report, please [contact us](#).