

Combined Heat and Power and Feed-in Tariffs

- Combined Heat and Power (CHP) is a large cornerstone of the CA electric grid (6,000+ MW) and is a preferred resource in our loading order (3rd behind Energy Efficiency and Renewables)
- Federal law considers CHP to be a protected resource as well, giving it “Qualifying Facility (QF)” status
- CHP allows for the dual use of fuel for the generation of electricity and useful thermal (heat) for industrial/commercial purposes
 - GHG Benefits, economic development, locational benefits to the grid and local reliability, ownership diversification, ability to save \$
- CHP can range from very small (less than 100 kW) at laundromats to very large (400+ MW) at oil refineries.
 - Many different technologies can be considered CHP
- Most CHP applications need heat on a constant basis, so it is harder to integrate into a grid with intermittent renewables
- Historically, CHP that had QF status were given a standard offer contract and paid an “avoided cost”
 - “What would the utility have spent if not for that resource...”
 - This leads to lots of arguments about what cost is being avoided
- December 2010: CPUC creates a new CHP program through 2020 providing an orderly transition into new competitive procurement paradigm.
 - For large (20 MW+) facilities, have a competitive procurement framework with hard targets where facilities are paid not avoided cost but per the bid.
 - This makes sense for large facilities, but what about the small ones?
- CHP Feed-in Tariffs
 - State legislation calls for a standard offer contract for small, new, highly efficient CHP
 - Price is tied to the price of natural gas (so the “all in price” will vary)
 - Developers can plan around a known contract
 - Some Federal vs. State jurisdictional questions – can we offer a price that is a different avoided cost?