



DECISION

REGULATORY PROCEDURE

Avoided Costs for Intermittent Renewable Energy Distributed Generation

File/Document Ref: January 14, 2010

ACTIONS TAKEN BY THE COMMISSION:

The Commission researched the issue of quantifying the avoided costs in relation to intermittent renewable energy distributed generation facilities that are now emerging in Dominica.

Based on the research done, the Commission conclusively deduced that the avoided costs for intermittent renewable energy generation unless policy dictates otherwise should be the short term avoided cost of fuel to the system.

Bigger renewable energy facilities will secure contracts that will take into account the long run avoided variable cost into consideration as these will be rightly classed as large capacity IPPs.

Under the short term avoided cost of generation the price per kWh will change from month to month depending on the cost of fuel to the system.

Thus, the applicable cost for the pricing of these qualifying facilities will be equal to the DOMLEC system cost of fuel for the month that the energy is supplied.

BACKGROUND

The Electricity Supply Act, No 10 of 2006 (the Act) establishes the Independent Regulatory Commission (the Commission, IRC) as the regulator for electricity supply in Dominica and empowers it with the responsibility for regulating prices, service standards and monitoring performances of service providers of electricity.

The Act also grants a license to Dominica Electricity Services Ltd. (DOMLEC) to generate, transmit, distribute and supply electricity in Dominica until December 31 2015. In the current environment, DOMLEC is the monopoly provider of these services.

Section 19 of the Act provides the IRC with exclusive powers to regulate all electrical entities that are subject to the Act and also to regulate all licensees with regard to all “economic” and “technical” aspects of regulation in accordance with the Act.

DISCUSSION

The Commission has been in the process of developing the regulatory framework for DOMLEC and has considered it important for DOMLEC to establish a rate for the purchase of renewable energy generation from facilities that are tied to its grid.

Renewable energy distributed generation facilities are slowly emerging and being established in Dominica. Consequently, these facilities may be producing excess energy at certain times of the day or night that can be exported to the grid.

These facilities are not eligible for net metering and do not qualify as large capacity IPPs. The energy supplied to the grid from these facilities is not guaranteed and very intermittent.

These facilities are grouped as supplying energy only to the grid. These small IPPs are not in a position to commit to the long term provision of firm capacity, but are capable of supplying energy to the grid whenever it is available.

The appropriate purchase price for operations of this type is the fuel cost avoided by DOMLEC by virtue of the fact that energy is supplied from this source.

The IRC has established that the price of energy provided/sold under this arrangement will be equal to the DOMLEC cost of fuel for the month the energy is supplied.

DECISION

The Commission approved the recommendation that the tariff be based on the avoided fuel cost of generation produced from Renewable Energy Distributed Generation Sources of the class stated above.

Signed: _____
Lancelot McCaskey
Executive Director

Approved at the Board Meeting of January 15, 2010