

Is Big Solar Dead?

Chris Clarke, KCET (Los Angeles television), 6-26-13

With Friday's cancellation of one of the biggest solar projects proposed for the California desert, the utility-scale solar boom of 2009 continues to falter. And analysts deep in the energy industry are taking notice.

One of the features of big, remote solar projects that industry envisioned covering the desert was the fact that such plants would have allowed utilities' 20th century business model to continue without much change. Energy companies found that undeniably attractive.

But that scenario has been undercut, as long-time ReWire readers know, by plummeting prices for photovoltaic solar panels, which don't need to be out in the desert to produce power -- and which can be installed in small rooftop-sized arrays, making it much easier to install a kilowatt's worth of capacity at a time rather than needing to get a multi-megawatt project financed, permitted, and built.

Partially as a result of photovoltaics undercutting the rest of the industry, the history of solar in the California desert in the last few years has been of one project after another being sold, backburnered, or even cancelled. Before Calico came Hidden Hills and Rio Mesa, Siberia and Sonoran West, Imperial Solar Two and Ridgecrest, and Blythe. Some of the projects may yet be built, sold to new buyers when their originators went under. Some are paper projects being held in reserve as a portfolio of fungible assets to be traded like Pokemon characters. And some like Calico, whose footprint was later declared a solar exclusion zone under the Interior Department's Solar Programmatic Environmental Impact Statement, are probably completely dead.

Some big organizations, the Obama administration foremost among them, haven't had this sea change sink in yet. But an increasing number of people in the industry have. And it's not just happening in California. As Greentechmedia commentator Haresh Patel wrote late last week in a piece with the provocative title "Utility Solar Is Dead; Long Live Distributed Generation," Patel says the effect of cheap solar panels, along with microgrids powered by small gas-fired fuel cells, mean that the utilities' monopoly business model is dead in the water.

There's no doubt now that utilities will ultimately have to change their business models. In a recent discussion with a well-known utility, top executives admitted that not only had solar utility segment plateaued, but that "utility is dead." It sounded dramatic, but the sentiment has been the topic of discussion for the last twelve months, both in the media and in more hushed tones in closed meetings. So, how will utilities adapt?

Patel sees a few utilities adapting to the new world of wholesale distributed generation, citing Sempra (owner of San Diego Gas & Electric) Pacific Gas & Electric, and the Sacramento Municipal Utility District as examples. "Those utilities, unfortunately, are the anomaly," says Patel. "The majority of utilities we've spoken with seem to be in denial, akin to deer caught in the headlights."

Perhaps before long they won't even be able to profit from the power used to light those headlights.