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Federal Policy Defined: The Impacts of PURPA on Renewable Energy

Introduction/Background:

The Public Utility Regulatory Policies Act of 1978 (PURPA) is a federal law that was implemented by Congress as a response to the energy crisis in the United States due to a heavy reliance on energy from oil. The main goal of this act is to encourage competition for electric generation and diversify the types of renewable energy sectors in the market, such as solar, wind, biomass, and hydropower. Furthermore, it intends to establish a new class of generating facilities known as qualifying facilities that are considerably small; operating with a maximum net power production capacity of greater than 1 MW or (1000 kW). PURPA enforces that larger electric utilities are required to purchase electric energy from these smaller cogeneration companies.

Pros and Cons:

The positive impacts of PURPA include increasing competition; prior, larger and more established oil monopolies dominated the energy market, which made it difficult for smaller companies to find an opportunity to easily enter the market. By increasing diversity of electric utilities, it also contributed to diversifying the usage of different fuels, most specifically renewables, it also reduced the nation's reliance on imported oil sources. The precedent of the Arab Oil Embargo is one of the big contributing factors to the energy crisis in the United States from the late 70s to the early 1980s. Due to the dated nature of PURPA, the downsides of the legislation is the nature of enforcement. The PURPA contract lasts for 20 years, which can appear restrictive to electric utilities that would need to buy energy from qualifying facilities. Furthermore, PURPA creates a conflict of interest between federal and state utility regulators; different states have different rates for electricity and usage, so there are certain terms and conditions of PURPA contracts that are unique in each state. Since PURPA is considered dated legislation, it also needs to constantly undergo revisions since many parts of the law aren't applicable to recent changes in the market.

Recent Activity:

In 2020, PURPA underwent multiple major changes, the first being the amendment of PURPA in 2005 under the Energy Policy Act of 2005 which included the following changes: each electric utility service is to make net metering services to any electric consumer that the utility serves, they also should develop and implement a plan to make sure they provide energy that includes a diverse range of fuels including renewable technologies, and also create and stick to a 10 year plan in order to increase the efficiency of fossil fuel generation. In 2020, the Federal Energy Regulatory Commission (FERC), issued a final rule that revised the implementation of PURPA, after it being amended for 15 years prior to this implementation. This revival of PURPA was with the intention of reforming regulations due to changes in the electric power industry over the last several decades and appeal more to the interests of utilities, investors, and other small scale generation facilities. would include establishing benefits to facilities by providing electric utilities to purchase electricity from them.

Reccomendations/Closing Statement

After studying the extensive resources that we're available on this legislation, some of the challenges with writing on PURPA is the amount of resources that I needed to sift through. To be transparent, being able to compress the amount of information there was on this legislation was the most difficult aspect of this. However, I continued to write on PURPA as it is legislation that I thought was important in contributing to the diversification of fuels in the energy sector, and did yield incredibly high rates in the turn to the usage of solar.

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