



# Foresight

A global infrastructure perspective

49<sup>th</sup> edition — October 2016

## How Community Solar will change the utility landscape

By Henry Berling, KPMG in the US

**A grassroots revolution is starting to spread through the US utility and energy space. Across the country, people are starting to take more control over how their power is sourced. And this is creating unique opportunities for so-called 'Community Solar' projects to gain momentum and scale. But this may be just the visible first wave of the revolution; and the deeper currents could well change the way energy is sourced and developed.**

Not since the 1920s have US consumers had so much choice in their power sources. That's when the big power grids were first developed and consumers were just happy to take what they could get. The choice was binary: electricity or no electricity. Nobody questioned where the power came from or how it was generated.

Today, however, things have clearly changed. Consumers care deeply about how their power is generated. And they increasingly want to know that it is being generated from clean and renewable sources, preferably close to home. In the US, consumers have the power to make this choice. Thanks to liberal energy policies and extensive deregulation in the 1990s, consumers can choose who they buy their power from (the 'direct retail' model).

At the same time, advances in renewable generation — particularly solar — allowed individuals and companies to start to take generation into their own hands (the 'residential solar' model). And the more recent spread of distributed generation has meant that renewable sources can be harnessed even without a large estate of solar panels attached to your home.

### Community Solar emerges

These trends have led to the birth of what is called the 'Community Solar' model in the US. Simply put, Community Solar is what happens when you combine distributed generation with direct retail marketing. Retail distribution companies (public or private) can essentially sell consumers a specific type of energy, generated within a specific community. And consumers seem eager to buy in.

Community Solar projects are starting to crop up across the United States. Most have (not surprisingly) emerged out of existing retail companies who want to grow their customer base and strengthen their green offering. Some are being driven by communities themselves — or rather municipalities — through their public utilities. Everyone is eager to capture similar benefits.

The first big benefit is, clearly, greater consumer access to renewable energy sources. Much like the hybrid car movement at the turn of the century, this revolution is being driven by consumers seeking cleaner energy solutions and a smaller environmental footprint. Community Solar provides a sustainable and —

importantly — a portable way for consumers to invest into solar energy.

The second benefit is that the model creates new investment into solar and distributed generation. The big difference between existing residential solar models and the Community Solar model is that generation does not happen ‘on premises’ but rather through panels distributed throughout the community.

What this means is that, as more consumers sign on to the plan, retail distributors can then go out into the community and sign on incremental ‘producers’. In some cases, these may be existing panels attached to homes. But more often they will be set up as part of a larger commercial or industrial development where the excess power is sold to the Community Solar initiative. This should unlock significant new investment into the sector. It will also start to blur the line between energy retailers and energy developers.

The third benefit — at least for utilities and energy retailers — is that Community Solar should deliver enhanced margins. Rather than simply taking the spread between the wholesale price and the retail price, the model allows utilities and retailers to become quasi-developers and, as a result, have greater control over their margins.

## A model for the future?

The vision for communities and municipalities could be rather revolutionary. With the ability to scale up with demand and greater control over the generation sources and contracts, some municipal utilities may view Community Solar as a viable way to take greater control of their energy security, costs and mix. Some will undoubtedly see Community Solar as a way to attract ‘green’ businesses and compete regionally.

Utilities may also view Community Solar as a revolutionary opportunity to start to truly develop solar and renewable generation sources while, at the same time, building direct relationships with consumers at a community level. As the Production Tax Credits (PTC) and Investment Tax Credits (ITC) for renewable generation start to phase out in 2018, Community Solar may prove to be a smart way for developers and utilities to access rates that support development.

Will the Community Solar revolution usurp the stalwarts and upturn the traditional energy grid? Likely not. But it is already unlocking new ways of thinking about how energy is sourced, distributed and sold to consumers. And it is creating new investment and encouraging new development in the solar sector. Given that energy prices in the US have languished at historical lows for almost 2 years now, this in itself should be seen as revolutionary.

---

### Contact us

**Dane Wolfe**  
Marketing Manager  
Global Infrastructure  
KPMG International  
T: +1 416 777 3740  
E: dmwolfe@kpmg.ca

**Pranya Yamin**  
Marketing Manager  
Global Infrastructure  
KPMG International  
T: +1 416 777 8094  
E: pyamin@kpmg.ca

[kpmg.com](http://kpmg.com)  
[kpmg.com/socialmedia](http://kpmg.com/socialmedia)



[kpmg.com/app](http://kpmg.com/app)



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2016 KPMG International Cooperative (“KPMG International”), a Swiss entity. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

Designed by Evalueserve. Publication name: Foresight. Publication number: 133887-G. Publication date: October 2016