

Some renewable energy providers giving up entering electricity market

The Associated Press

TOKYO, Sept. 7 (Kyodo)— Since Japan introduced a feed-in tariff for encouraging the use of renewable energy sources in power generation in July 2012, a wide range of entities from businesses and civic organizations to local government bodies have been attempting to break into the power market.

But the momentum seems to be slowing down. A number of potential power suppliers are giving up their bids after facing a variety of restrictions in linking their infrastructure to grid networks operated by utility companies.

With no regulations defining grid access, these restrictions are imposed by major electric utility companies, which are the designated buyers of electricity under the feed-in tariff program.

"We entered in a lot by Hokkaido Electric Power Co. but did not win," said Taisuke Takahashi, who manages the secretariat of the nonprofit Minami Hokkaido Shizen Energy Project in Hakodate city on Japan's northernmost island.

The nonprofit planned to build a wind farm with 10 mills each with a 2,000 kilowatt capacity on Mt. Kijihiki in the neighboring Hokuto city, relying on investments by citizens and bank loans.

The group's leader, Peter Howlett, said, "Wind conditions are good and roads are there that can transport large turbine blades." There are few other places with equally good conditions, he added.

The group filed its application with the Hokkaido utility after setting up a company to make it easier for it to receive funding from financial institutions.

It had planned repay loans and pay dividends to investors through electricity sales. But its application last year for a 200,000 kilowatt slot fell through.

The group even held a meeting for local residents in the hope of conducting an environment impact assessment for the project, but the project is now up in the air.

Moreover, Hokkaido Electric Power announced in April that it will limit electricity purchases from large-scale solar power plants to 400,000 kilowatts. It is a narrow window since potential suppliers have filed for an output totaling 1,568,000 kilowatts, nearly four times greater than the newly instituted quota.

Similar problems have been reported outside Hokkaido. The Ministry of Economy, Trade and Industry said its regional offices have received complaints from aspiring

energy providers.

"We scaled down equipment because we've been told that (the buyer) doesn't have available capacity to deliver power," a potential applicant told the ministry's Chubu office in central Japan.

In the Chugoku region in western Japan, another provider said, "Initially, we were told that we could access a grid nearby but were requested later to access one farther away."

In a survey by the Japan Renewable Energy Foundation, based in Tokyo, as many as 60 solar power suppliers reported having given up selling power due to problems over grid access.

In multiple answers, 43 said power companies limited purchase volumes, while 17 said they were asked to shoulder a large portion of the construction costs. Eight said power companies simply refused connections.

One operator was asked to pay 20 times the cost mentioned in the utility's initial briefing, according to the survey.

These grid issues are closely linked to geographical conditions needed for renewable energy production.

Laying large-scale photovoltaic panels for power generation requires wide areas of flat, vacant land, ruling out urban areas. Land suited for wind farms, meanwhile, is often in the less populated Tohoku and Hokkaido regions in the north. While these areas have power delivery lines, their capacity is often limited due to low regional demand for electricity.

"We have built the minimum necessary facilities, including power transmission lines according to demand, and there are times when connecting (renewable energy sources to power lines) is difficult due to capacity issues," an official with Hokkaido Electric Power said.

The official also mentioned limitations with what they can do to ready hydropower and fossil fuel thermal power facilities that would have to be activated when photovoltaic panels do not generate enough power because of the weather.

Critics question the rationale behind power companies' "limited capacity" arguments. They say power delivery infrastructure and fossil fuel thermal capacity are limited because the utilities are counting on the resumption of nuclear power plants, almost all of which are currently offline in the wake of the Fukushima crisis.

The critics argue that if power companies free up some resources, they can accommodate more renewable suppliers that also includes hydroelectric, geothermal and biomass energy providers.

Toru Morotomi, professor of environmental economics at Kyoto University, said that

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in the absence of rules on accessing grid infrastructure, power companies often do not reveal how much their delivery lines actually fall short of capacity or details of construction costs when they impose conditions over connecting to power lines.

"Eventually, the question is who will bear the costs of grid connection. Unless (authorities) establish rules requiring power companies to pay the initial cost and recover it through electricity sales, this will pose a major stumbling block for renewable energy," Morotomi said.

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