

November 3, 2006

Comments from Dr. Ryan Wiser, Lawrence Berkeley National Laboratory, on Oregon RPS and Related Policy Legislative Package Outline (October 5 Version)

I asked Dr. Ryan Wiser (acknowledged as the leading expert on RPS in the USA and the individual who spoke to us at the May REWG meeting) to comment on the RPS Draft Outline that was presented to the REWG at the Newport meeting in October. Although I did not receive his reply in time for that meeting, I did receive comments shortly thereafter. Note that in two cases I have used strikethrough to highlight acknowledged mistakes that he also picked up and that have already been committed to being fixed accordingly.

His comments are as follows:

1. Though I understand the apparent political necessity, I do not like the primary, secondary, and ESS portfolio standards approach. With unbundled RECs, concerns about renewables eating into existing load/BPA allocations/etc. are to some degree unfounded. As such, I think you may be seeking to solve a “problem” that doesn’t even exist. That said, again, I understand that political factors are at play here, and I do think you have at least designed these various standards in a credible way. However, I don’t fully “get” the ESS requirements, as they are currently written. I would recommend trying to make this more clear.
2. Note that my overall comment here also applies to the FBS issue, which is a non-issue if unbundled RECs are freely allowed. I see that you limit unbundled RECs... How will you determine whether the RPS displaces or could displace FBS power when unbundled RECs could be used for some portion of compliance? I think you should do some more thinking here. The same comment applies to the Mid-Columbia deferment section.
3. The growth in the primary standard is dramatic. I am certainly not opposed to that, but given experience in other states, it may be a real challenge to hit these high percentage targets.
4. Under the “Qualifying Renewable Resources” category, several clarifications would be helpful. For multi-fueled facilities, you might eliminate the word “incremental.” There will be complexities in dealing with the “incremental output of non-hydro generation”, but those can be resolved in subsequent rulemakings. I recommend eliminating the “Additional Qualifying Resources” category. Leave these determinations to future legislation; leaving them to the regulators may yield market instability. If you do keep this provision, consider making clear that large hydro is also not to be considered eligible in any circumstance.
5. I also don’t quite get the bundled REC/geographic eligibility section. I think you are allowing bundled RECs from anywhere within the WECC as long as delivery is required. But in one instance you note that delivery of the electricity must be in real time ~~and unit contingent~~, and in another you appear to allow the substitution of that power with system power, even on a delayed basis. These two statements appear contradictory. You should either clearly allow shaped/firmed products, or not, it would seem. Also, once the bundled product reaches the PNW, the REC should be allowed to be unbundled at that point (unbundled RECs should not only be allowed for projects located in the PNW). That will allow a utility that is over-complying with the standard based on bundled purchases throughout the West to sell its (unbundled) RECs to an under-complying entity. I see no downside of including this flexibility. *[NOTE: Use of “unit” terminology acknowledged as an unintended mistake in last meeting and will be eliminated.]*

6. In addition to my comments above on RECs, is the “unbundled REC upper limit for primary/secondary standard” exempted for ESS (as is the long-term contracting standard)? Probably makes sense to be consistent here. ~~Also, under “RECs from Public Purpose Charge Funded Projects,” do you really want to retire the RECs based on the location of the project? Or would it be best to allocate them to the utility purchasing the electrical output of the facility? Or to utilities in proportion to their customers’ contributions to the fund? Seems like these alternatives would be better than allocation based purely on location.~~ *[NOTE: Mistake in ETO section acknowledged during last meeting and will be fixed accordingly.]*

7. Compliance procedures: It is not clear to me whether ESS’ must also meet the compliance plan requirements. I am also not clear on why banking provisions are segmented in the way that they are... ESS’, in particular, need flexibility given fluctuations in their load obligations. Some level of banking for unbundled RECs and greater banking for short-term market purchases of bundled RECs would seem appropriate.

8. Does the penalty only apply to the primary standard (not the secondary)? How are penalties for ESS’ assessed? Additionally, as I understand it, the 15% standard begins in 2015, but compliance with that target is determined by a rolling average of purchases from 2014-2016. My only concern with this is that it includes one year (2014) in which the standard was much lower (10%). This approach seems somewhat discriminatory to obligated entities. Wouldn’t it be better, for example, to just average 2015-2016?

9. The presently contemplated cost cap provision should work reasonably well for large IOUs. I question, however, its administrative “workability” for ESSs and small POUs. Having the Oregon DOE and PUC oversee cost cap calculations for each of these small suppliers will require a major dedication of staff resources. No other state has taken this approach for both ESSs and POUs, and for good reason, because of these administrative complexities. A simple ACP would be more appropriate in this circumstance, at least for ESS and POU suppliers.

10. The enforcement provisions should make clear that the \$45/MWh is presumably not recoverable in rates for IOUs.