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Comments of the Green Power Institute on the Mid-Course Review of the Renewable Portfolio Standard Process

CEC Docket Nos. 06-IEP-1c, 03-RPS-1078.
2006 Integrated Policy Report Update—RPS Mid-Course Review II.

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Respectfully Submitted by:

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The Green Power Institute (GPI) respectfully submits this second set of Comments on the *Mid-Course Review of the Renewable Portfolio Standard Process,* in Docket numbers 06-IEP-1c, and 03-RPS-1078, in connection with the 2006 Integrated Energy Policy Report Update – RPS Mid-Course Review, second public workshop. We offer comments on the topics of streamlining RPS contracting, and correcting a structural problem. We do not repeat here our July 12, 2006, *Comments* in this Proceeding, which are already a part of the record.

At the August 22, 2006, CEC Workshop, GPI director Gregg Morris stated that there is a fundamental structural problem with the state's RPS program, relating to the SEP component. Commissioner Geesman has stated in a variety of venues, including at the July 6 workshop in this proceeding, that SEPs are inherently un-financable, because they cannot be guaranteed. We believe that the problem is deeper still. Even if SEP funds could be securely escrowed, the fact remains that the generator has to go through the cumbersome process of dealing with two separate, sequential applications, first the utility's RPS solicitation, then the CEC's SEP process, and ultimately two different contracts, often with different contract terms (e.g. 20-yr PPA, 10-yr SEP), and other differences. This is not a straight line to putting renewable power on the grid.

The GPI believes that there are two basic approaches to addressing the structural problems associated with the SEP provisions of the California RPS program. The two approaches are not mutually exclusive, and may even be complimentary. We are not commenting here on the legal aspects of the approaches, although we recognize that there may be issues needing to be addressed in this regard, going forward. We appreciate that the IEPR process takes a long-term view of California energy policy, in which legislative fixes are possible.

The first approach is to simply collapse the RPS application and contracting process into a single process, culminating in a single contract. One of the essential design features adopted for SB 1078 was that utility ratepayers would only pay directly for renewable energy at up to the "market price" of electricity. Above-market costs would be offset with a fixed pot of public-goods funds, provided indirectly by the same ratepayers. Our suggestion is to simplify and streamline the process into a single utility auction or negotiation, resulting in a single PPA, while still retaining the structure and intent of the original RPS program.

Program cost controls can be applied to the streamlined process in much the same way as is done in the existing program. An MPR can be determined in conjunction with each solicitation cycle. Short-listed contracts with prices below the MPR would be automatically approvable. Short-listed contracts with prices above the MPR can be approved on a funds-available basis, working with a predetermined allocation of above-market credit. Developers would then have singular, financable PPAs, and could go forward expeditiously with the development of their projects.

The second, and more radical approach is to convert the basic compliance system used for the California RPS program from an energy-based (bundled) system, to an unbundled, tradable-REC-based system. This is a big issue that has been, and will continue to be, argued in a variety of forums. We will not debate the merits of the issue here, but simply make the following observation: The topic of unbundled, tradable RECs has been on the table for at least the past three years, but so far no authority has acted, yea or nay. There are too many proponents of the unbundled system for the subject to simply fade away, undecided. In the opinion of the Green Power Institute, there is a significant cost to indecision on this core issue. It is time for California market to know what direction it is headed with respect to the future use of tradable RECs. The current state of uncertainty may be hindering the development of new renewable energy generators in California.