

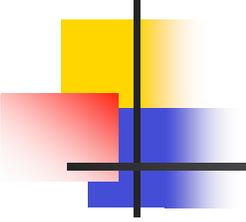
# **Overview: California Renewables Portfolio Standard (RPS) Program**

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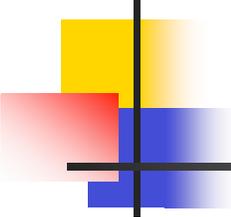
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# Overview

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- RPS Goals
- Renewable Procurement Targets
- Flexible Compliance Rules
- Market Price Referent (MPR)
- RPS Procurement Process

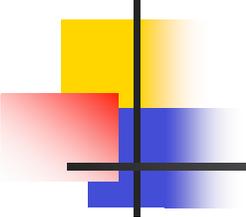


# Goals of the RPS Program

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The **Renewables Portfolio Standard** (RPS) Program (SB 1078, Statutes 2002) obligates all Load Serving Entities (LSE) to increase the share of electricity they procure from renewable generation resources.

- IOUs, ESPs and CCAs must procure an additional 1% of retail sales per year until 20% is reached, no later than 2017.
- Municipal utilities are directed to develop a program that achieves the same goals, but are not obligated to report their progress to any state agency.
- The CEC/CPUC **Joint Agency Energy Action Plan** accelerates the RPS target year from 2017 to 2010.

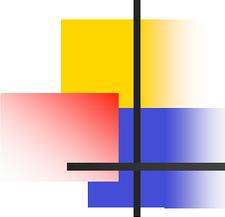


# RPS Procurement Targets

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RPS progress is measured against each LSE's **Annual Procurement Target (APT)**, which has two components:

- **Baseline:** The amount of renewable generation (MWh) in the LSE's portfolio as a result of past procurement, either pre-RPS or as a result of previous RPS solicitations.
- **Incremental Procurement Target (IPT):** The additional amount of renewable generation the LSE is expected to procure as a result of an annual RPS solicitation.

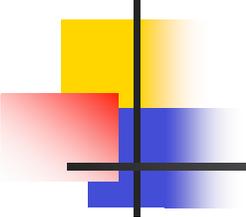


# Flexible Compliance Rules

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RPS statute provides two means of **flexible compliance** for LSEs:

- **Banking:** If an LSE procures more renewable generation than is needed in a given year, it may “bank” that amount of generation for use in meeting future IPTs.
- **Borrowing:** If an LSE fails to procure sufficient generation in a given year, it may “borrow” the necessary amount from up to three subsequent RPS procurement years.
- LSE can borrow up to 25% of its IPT without Commission authorization
- Procurement in subsequent years must be applied to the most recent RPS target before any excess can be used to meet past obligations.

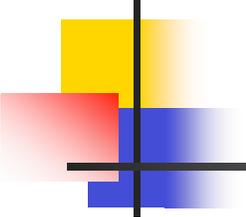


# Market Price Referent (MPR)

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By statute, the Commission must calculate MPRs representing the **long-run avoided cost** of non-renewable energy procurement.

- MPR establishes the ceiling for IOU cost responsibility.
- Portion of approved bid price above the MPR must be paid to the generator by the CEC from the Supplemental Energy Payment (SEP) fund.
- This mechanism keeps the LSE indifferent to renewable and nonrenewable procurement.



# RPS Procurement Process

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Procurement begins with the submission of an **annual RPS procurement plan and draft RFO**.

- Commission approval of RPS procurement plan triggers the annual RPS solicitation.
- The procurement process employs the following key elements:
  - Utilization of Standard Contract Terms and Conditions
  - Least Cost/Best Fit bid ranking
  - Estimation of Transmission Cost Adders
  - Comparison to MPR