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PRODUCERS
ASSOCIATION

November 2, 2011

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California Energy Commission
Dockets Office, MS-4
Re: Docket Nos. 11-RPS-01; 02-REN-1038
RPS Proceeding
1516 Ninth Street
Sacramento, CA 95814

RE: RPS Proceeding—Proposed Changes to the Renewable Portfolio Standard (RPS) Eligibility Guidebook

The Independent Energy Producers Association (IEP) appreciates the opportunity to comment on the California Energy Commission (CEC) staff workshop on the proposed changes to the RPS Eligibility Guidebook, convened October 21, 2011. As a general matter, updates to the RPS Guidebook are necessary to clarify eligibility requirements and implement new provisions of the recently passed 33% RPS legislation—SBX1-2. In addition, it is important for the CEC and the California Public Utilities Commission (CPUC) to coordinate on the implementation details of the RPS program and avoid duplicative efforts where appropriate. IEP's specific comments on the Draft Renewable Portfolio Standard Eligibility Guidebook, Fifth Edition and the corresponding workshop primarily relate to the following:

- Counting Pipeline Biomethane for RPS purposes raises significant concerns.
- Maintain the Integrity of the RPS and WREGIS through accurate metering.
- The Interim Tracking System for POU compliance should meet meter standards consistent with revenue quality meters.
- Precertification for the RPS is a valuable tool and should be retained.
- In the context of "repowering" the definition of "prime generating equipment" for small and conduit hydroelectric is insufficient.
- The 5 percent de minimis amount of nonrenewable fuel should be determined by the fuel input that is necessary to maintain vital plant operations.
- Organization of the Guidebook: Discussion of distributed generation (DG) under the "Unbundled RECs" section of the Guidebook may create the impression that all DG is an unbundled REC. This issue is still unresolved.

Counting Pipeline Biomethane for RPS Purposes Raises Significant Concerns. IEP is concerned that continuing to allow pipeline biomethane to be delivered via the natural gas pipeline system from anywhere in the U.S. to generate RECs, has the potential to swamp the demand for traditional renewable resources contrary to the goals of SBX1-2. Furthermore, given the interest in expanding the intrastate pipeline system (see attached map of proposed integrated gas pipeline system), IEP is concerned that continuation of this policy could dramatically expand/increase the potential for out-of-state biomethane located anywhere in the United States to meet the RPS requirements of Load Serving Entities here in California without any California benefit.

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Currently, biomethane injected into the natural gas pipeline system and delivered to California to generate renewable energy is typically consumed at a natural gas facility already in operation. Because the natural gas facility may use a blend of RPS-eligible and ineligible fuels, that facility may apply for certification as an RPS-eligible resource once the facility is receiving biomethane and using it to generate renewable energy credits. In essence, a natural gas facility located in-state that burns in whole or in part biomethane that originated from out-of-state, can be considered an eligible renewable resource for RPS purposes.

As a result of the passage of SBX1-2, it is timely for the CEC to reconsider the eligibility criteria for pipeline biomethane as part of its RPS eligibility guidebook revision process. Specifically, the CEC should reconsider whether pipeline biomethane should count for RPS purposes going forward, given the fact that it is going to displace other traditional renewable resources that are more aligned with the intent of SBX1-2, particularly in-state development.

Many of the objectives of SBX1-2 are linked to creating additional, new investments directly interconnected to a California Balancing Authority ("CBA"). Specifically, achieving the renewable portfolio standard through the procurement of various electricity products from eligible renewable energy resources is intended to provide *unique benefits to California*, including (1) displacing fossil fuel consumption within the state, (2) adding new electrical generating facilities in the transmission network within the Western Electricity Coordinating Council service area, (3) reducing air pollution in state, etc. Based on the current eligibility requirements for pipeline biomethane, which can originate anywhere in the greater United States, it is not apparent that pipeline biomethane serves the goals of facilitating new, renewable, in-state investment.

IEP Recommendation:

Moving forward, IEP recommends the following path for the treatment of pipeline biomethane injected into the natural gas pipeline system and delivered to an in-state RPS-eligible resource:

- Grandfather existing contracts with RPS-certified facilities that are using pipeline biomethane to generate renewable energy credits for RPS compliance purposes, as of September 20, 2011. As of this date, the CEC convened its workshop on biomethane, and parties were on notice that the Energy Commission was re-examining its biomethane policy.
- Aside from grandfathered contracts, pipeline biomethane should no longer be eligible for RPS purposes.
- Going forward, treat pipeline biomethane as a strategy to reduce greenhouse gas emissions associated with electrical generation under the California Air Resources Board (CARB) carbon reduction target.

Maintain the integrity of the RPS and WREGIS through accurate metering. The CEC has determined, with adoption of this guidebook, "that all grid-connected renewable electric generation facilities may be certified as RPS-eligible, including generation serving onsite load, if all eligibility requirements are met for the specific renewable energy resource used by the facility to generate electricity."[1] Requirements include but are not limited to (1) participation in WREGIS, and (2) a meter accuracy rating of 2% or better.

[1] Draft RPS Eligibility Guidebook Fifth Edition, page 66.

As a general matter, IEP agrees with the CEC's conclusion that in order to be certified as RPS-eligible you must participate in WREGIS and have a meter accuracy rating of 2% or better. The requirements for WREGIS are set forth in the WREGIS Operating Rules. The intent of the rules is to ensure that all RECs tracked through WREGIS have an equivalent integrity. As a result, RECs cannot be recognized in WREGIS unless the energy associated with the RECs is metered to a specified accuracy. DG installations that do not provide metering accuracy to that level are not currently eligible for the creation of a WREGIS Certificate.

In comments at the Energy Commission workshop, some stakeholders expressed concerns that the meter accuracy rating of 2% was too stringent and that a less stringent meter accuracy of 5% for some programs may be more appropriate. IEP disagrees with this assumption. In recognition that residential, rooftop photovoltaic energy installations may not be suitable for the metering requirements demanded by the RPS program, the CPUC and the Legislature created the California Solar Initiative (CSI) program as a distinct and separate program from the RPS. The CSI program supplements, but it does not supplant, the RPS program as a means to move to a greener electric sector. Keeping the CSI program separate from the RPS from a counting perspective, while recognizing that on-site consumption is available for counting against the RPS **if** it is properly metered, addresses the issues raised by stakeholders. This approach retains the integrity of the WREGIS Certificate in RPS counting and treats eligible renewable resources in a common manner.

The Interim Tracking System for POUs should meet meter standards consistent with revenue quality meters: As of January 1, 2009 the generation of all facilities serving retail sellers must be tracked in WREGIS in order for the generation to be counted as an RPS-eligible resource for RPS compliance. However, facilities serving POUs must be registered with and approved by WREGIS by July 1, 2012. Generation from facilities serving POUs may be tracked and reported using the Interim Tracking System (ITS) for 2011 and part of 2012 (through June), with the exception of unbundled or tradable RECs, which must be tracked in WREGIS to be eligible for the RPS.[2]

The ITS is based on self reported data and data collected from various other sources to verify procurement claims and energy deliveries.[3] While IEP understands that there may be some time needed for facilities serving POUs to be registered with and approved by WREGIS, the CEC should ensure that generation from facilities serving POUs are metered to a level equivalent to that of revenue quality meters, such as those certified for use by the California Independent System Operator (CAISO). In addition to requiring that all unbundled or tradable RECs be tracked in WREGIS to be eligible for the RPS, this meter requirement will ensure that generation from facilities serving POUs and reporting through the ITS will be metered to a specified accuracy.

Furthermore, POUs should already be in the process of registering their renewable resources in WREGIS. WREGIS launched in June of 2007 and it is not a new concept. Thus, IEP supports the goal of having all generation tracked in WREGIS *at least* by the July 2012 timeframe. There should be no reason for delay.

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[2] Draft RPS Eligibility Guidebook Fifth Edition, page 21.
[3] Draft RPS Eligibility Guidebook Fifth Edition, page 101.

Precertification for the RPS is a valuable tool that should be retained: Though precertification does not guarantee RPS certification in the future, precertification is a valuable tool that should be retained. In order for the CEC to evaluate final plant configurations for RPS compliance, a facility cannot file for RPS certification until a project is complete. Without the precertification process, this can be problematic particularly for photovoltaic projects which become operational "in stages" over a period of many months. The precertification process, on the other hand, allows such projects to count this pre-Commercial Online Date (COD) generation as potentially eligible RPS energy prior to filing the final CEC certification application. This precertification tool allows the flexibility that is necessary for dealing with various types of renewable technologies/systems which may come online "in stages". Importantly, the precertification process assists in the timely financing of new projects.

The precertification process also in large part resolves issues such as potential environmental impacts on California due to an out-of-state facility located near the California border (see the checklist in Form CEC-RPS-1B:S3). This is critical in reducing risk for both the developer and entities providing construction financing. In addition, many utilities rely on precertification to score bids from their solicitations. Getting rid of the precertification process may make it more difficult for utilities to accurately evaluate bids.

Given the benefits of precertification, the interest in eliminating the precertification process is not appropriate at this time. In addition, the Energy Commission should not limit the amount of time between precertification and certification. Frequently there are delays in project development that may not have been envisioned at the time of submitting a precertification application. Such delays may cause setbacks in the timing of the final application for certification, but they should not be grounds for eliminating precertification altogether. Furthermore, pre-certification of projects that do not ultimately proceed is not likely to be a significant burden on the CEC.

In the context of "repowering" the definition of "prime generating equipment" for small and conduit hydroelectric is insufficient. Applicants seeking to certify a facility as repowered must submit documentation confirming that the facility's prime generating equipment is new. In defining a repowered facility with new prime generating equipment the CEC lists the requirements for wind, biomass, geothermal, small and conduit hydroelectric, solid waste conversion, landfill gas, digester gas, and solar thermal. While IEP generally finds acceptable the requirements provided for each technology, the definition provided for repowering the prime generating equipment of a small and conduit hydroelectric resource is NOT sufficient. Currently the Energy Commission proposes that the repowering of the prime generating equipment require "the entire turbine" only. IEP proposes that the repowering of the prime generating equipment of a small and conduit hydroelectric resource should be "*the entire turbine and the structures directly connected to the installation of the turbine.*" The majority of the other technologies are required to replace more than just the "entire turbine."

The 5 percent de minimis amount of nonrenewable fuel should be determined by the fuel input that is necessary to maintain vital plant operations. The CEC is seeking comment on what constitutes a "significant" amount of increased generation to justify raising the de minimis quantity of non-renewable fuels from 2 to 5 percent. In terms of defining the amount of nonrenewable fuel that can qualify as de minimis, IEP believes that the CEC is asking the wrong

question. IEP agrees that the CEC should allow a de minimis amount of natural gas or defined hydrogen to count, up to a maximum of 5 percent, ***to the extent that the fuel input is required to maintain necessary plant operations,*** (e.g. start-up, fuel stabilization, etc.) as has been the case in the past.

Originally the 2 percent de minimis standard was granted in recognition that some eligible renewable facilities relied on natural gas for necessary operations including start-up and fuel stabilization. This continues to seem reasonable. However, IEP opposes an increase in the use of natural gas/hydrogen to count for RPS purposes unless its use is limited to these kinds of necessary plant operations.

In addition to requiring a showing that the increase in the de minimis amount of non-renewable fuels (up to 5%) is vital to plant operations, the Energy Commission should also require standards of review for this test. The Commission's proposed requirements that applicants of all facilities using a de minimis amount of nonrenewable fuels must retain records to verify ongoing compliance is a good starting point.[4] In addition, the CEC should add an ex post reporting mechanism that would identify which types of technologies/systems used up to 5% of non-renewable fuels for total output; and whether criteria set forth in the guidelines were actually achieved by applicable projects.

Organization of the Guidebook: Discussion of distributed generation (DG) under the "Unbundled RECs" section of the Guidebook may create the impression that all DG is an unbundled REC. The decision to count distributed generation (DG) as a bucket 1 or a bucket 3 transaction under SBX1-2 is a debate ongoing at the CPUC. The CEC RPS Guidebook and the CPUC policy ought to be consistent on this matter. While IEP believes that it is not the intent of the Energy Commission to make a decision on this issue by discussing DG under the heading of "Unbundled Renewable Energy Credits," it may be appropriate for the CEC to move the discussion of DG under its own separate heading in order to clarify that the accounting of DG for RPS purposes is still an issue that is unresolved.

IEP thanks the CEC for the opportunity to comment on the Draft Renewable Portfolio Standard Eligibility Guidebook, Fifth Edition.

Respectfully submitted,

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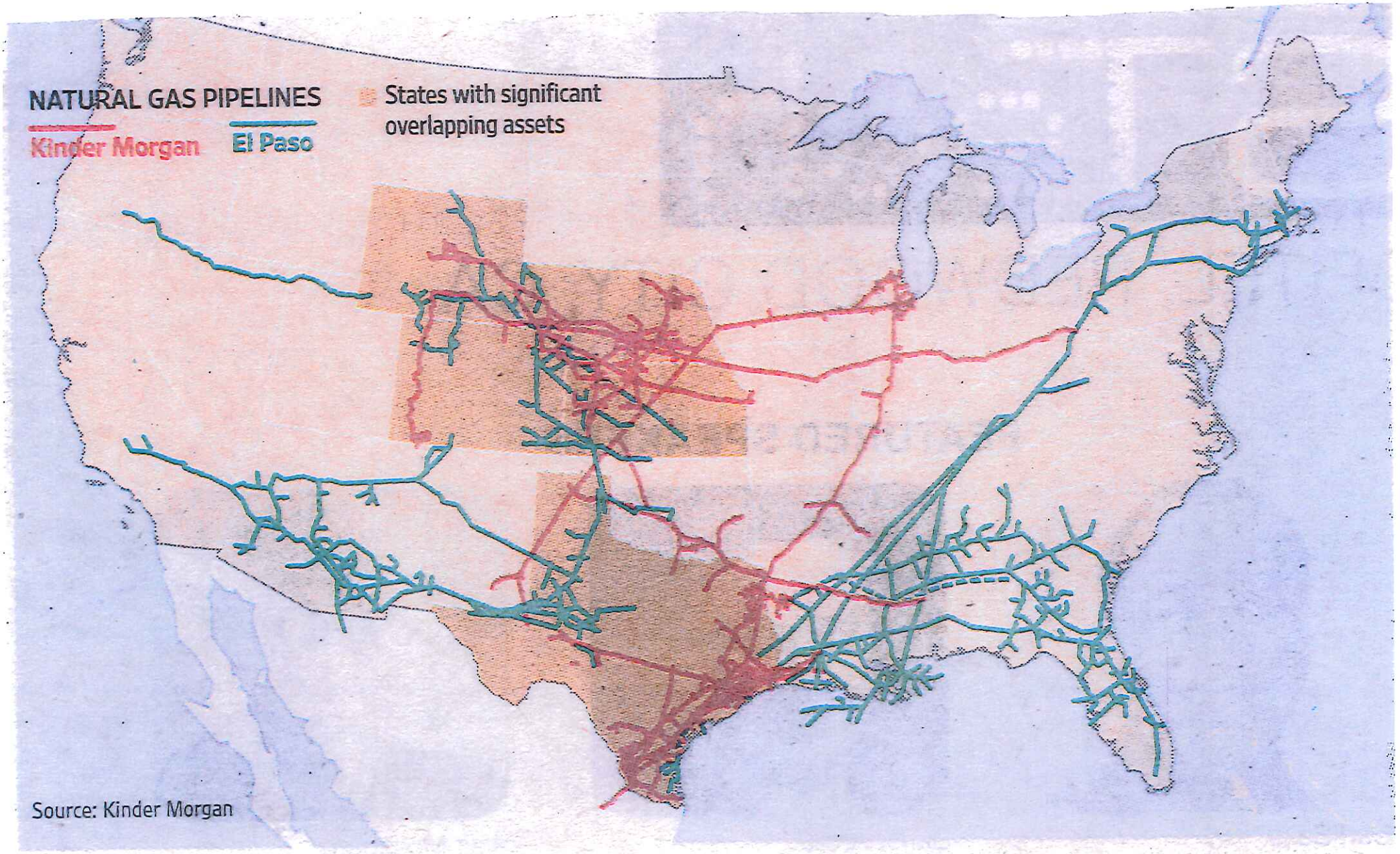
[4] Draft RPS Eligibility Guidebook Fifth Edition, page 48.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