California Energy Commission
DOCKETED
02-REN-1038
TN # 67609
OCT. 08 2012

California Energy Commission
Re: Docket No.'s 11-RPS-01; 03-RPS-1078;|
and 02-REN-1038
1516 Ninth Street
Sacramento, CA 95814-5512

Re: September 21, 2012 workshop; 2008-2010 RPS Procurement Verification and Proposed SB X 1-2 RPS Verification

Iberdrola Renewables ("Iberdrola") appreciates the opportunity to provide these comments after the Energy Commission's ("CEC") September 21, 2012 workshop to consider developing rules regarding verification of Renewable Portfolio Standard ("RPS") compliance under the RPS amendments enacted in 2011 ("SB X1 2"). Iberdrola commends the CEC for reaching out to stakeholders to gather opinions about this critical issue. We are very interested in working to help build a stable and efficient regulatory structure for California so that California electric consumers are confident they are receiving the renewable energy products their providers have arranged to procure.

Iberdrola is the second largest owner and operator of renewable generation in the U.S. with over 5.2 GW of owned or controlled renewable generating capacity. This portfolio includes more than 350 MW of operating wind projects in California, and does not include the 189 MW Manzana wind farm currently in the final stages of construction in Kern County. Iberdrola also provides renewable electricity, as well firming and shaping services, to California load serving entities ("LSE"s) from various resources in the western United States.

Iberdrola offers the following specific comments in response to the Workshop presentations to better define a verification methodology for the CEC to adopt. For PCCs 1 and 2, Iberdrola generally agrees with the direction outlined by CEC staff at the Workshop as explained in the staff presentation (Attachment A). Staff has done a thorough and thoughtful job in developing the presentation and the proposals it contains. With these comments, we offer some clarifications and a few alternative interpretations for parts of staff's proposal.

Achieving Effective, Accurate Verification at Low Cost and High Levels of Confidence

These comments specifically focus on the tracking and verification of renewable energy products in the three product content categories ("PCCs") delineated in Section 399.16(b) of SB 1X 2. As an overarching principle, Iberdrola submits that the SB X1 2 reporting and verification process can and should be relatively simple and straightforward—both for purposes of containing costs (for market participants, consumers and CEC), as well as ease of administration for all involved.

Verification of PCC Volumes

In this light, the table presented by CEC staff at the workshop (Presentation Slide 20, Attachment A) is on the right track for verifying PCC volumes but may be more user-friendly if formatted as an Excel spreadsheet . A separate database is not necessary for each facility and would be burdensome for both market participants and the CEC. Instead, a simple Excel spreadsheet may be utilized—adding a tab for each contract or asset. The Excel spreadsheet may easily be converted into a PDF file, which then serves to 'lock' the data and not allow for further editing, which ensures staff that the data cannot be changed later.

To provide a higher level of confidence in the verification data, the CEC may wish to implement a process involving a random audit and/or review of NERC e-Tags. Regulators can be confident in the scheduling data shown in the Excel spreadsheet because the counterparties to any agreement will have completed a monthly settlement/check-out process for billing purposes that requires both counterparties to agree to scheduled volumes.

Clarifying Information Requirements

WREGIS NERC e-Tag Summary Report

Iberdrola wishes to clarify the difference between "Source" and "Point of Receipt" as used on the NERC e-Tag summary report on Presentation Slides 23 and 24. The Generator Name (on the sample e-Tag on slide 23) is the "Source" and-- in the CEC lexicon--would be the Eligible Renewable Energy Resource ("ERER"). The "Point of Receipt," a separate and distinct field on the e-Tag, is the location at which the energy from the renewable energy resource enters the transmission grid.

Firm Transmission

Slide 24 references providing documentation of firm transmission agreements for PCC reporting and verification, but firm transmission is not required to deliver energy to a California Balancing Authority ("CBA"), nor will it help to inform the reporting and verification process. As the California Public Utilities Commission ("CPUC") noted in its Decision on Product Content Categories, "Parties are in agreement that holding firm transmission rights is not a necessary element of meeting the new criterion of scheduling into a California balancing authority without substituting electricity from another source." [i] This is also true for the role of the CEC, which performs after-the-fact verification. Verification that incremental energy flowed into the state of California is reflected on the e-Tag, which offers *prima facie* proof of the transmission that was acquired and used. The relevant information is the scheduled energy that was delivered to a CBA and the e-Tag data will provide this information.

Schedule Data

Workshop participants engaged in substantial discussion around "schedule data" and e-Tags. When "schedule data" is referred to, this should be taken to mean the volume on the final e-Tag which shows the volume of energy that is imported to a CBA. Iberdrola, like most companies, has this data available in our internal accounting/scheduling system and can readily provide the schedule data on an hourly (or monthly or annual) basis.

Making Product Content Categories Workable Without Unintended Consequences

Iberdrola, as an entity that sells RPS energy and provides firming and shaping services, takes particular interest in the language on Presentation Slide 26 regarding requirements for incremental electricity scheduled into a CBA.

RPS energy may be sold back to an affiliate of the generator providing firming and shaping services

Regarding the prohibition on selling renewable energy "back to the RPS facility," Iberdrola would like to clarify that selling to an *affiliate* of the RPS generator is permitted as cited in the CPUC Product Content Categories Decision for jurisdictional retail sellers.[ii] Iberdrola requests similar clarification in the forthcoming CEC regulations.

Specifically, while the CPUC rules similarly state that a PCC2 transaction requires the purchase of energy and RECs from the RPS-eligible facility without selling *"back"* to the generator, Footnote 80 states: "The buyer is likely to be, but is not necessarily, the retail seller ultimately claiming the firmed and shaped procurement for RPS compliance. It may also be the entity providing firming and shaping services." In many cases, the firming and shaping services provider is acting as an agent for the LSE. This footnote addresses the comments in that proceeding submitted by Iberdrola that warn against unintended consequences, such as prohibiting the sale of power back to an *affiliate* of the generator in order to provide firming and shaping services. [iii]

Under a single contract, a company such as Iberdrola may sell both the RPS energy and provide the firming and shaping services—and, as a result, this requires a transaction with an affiliate. Iberdrola understands that the intent of the law and rules is to ensure that for PCC2, new increments of *both* energy and RECs are procured. (Please see Attachment B for a diagram further outlining this structure.)

Incremental Firming Energy may be Sourced from a Renewable Facility

Similarly, Iberdrola notes that the substitute energy required in PCC2 may be sourced from any resource located in the WECC and outside of a CBA. In some cases, the substitute energy in PCC2 may be sourced from the same ERER facility that is generating the RECs. This could be the case if the entity providing the substitute energy is also providing the RPS energy and managing the output of the ERER. For example, incremental energy might be provided by an ERER when it is generating in excess of the

schedule. While in practice this looks like a PCC1 product, the LSE would only be able to qualify this energy as PCC2 given that there would not be the "lesser of" comparison between hourly meter data and hourly schedule as required for a PCC1 product.

RPS energy and substitute energy may be procured in a single contract

Iberdrola suggests clarifying the statement on Slide 27 that says 'substitute energy is to be procured *after* the renewable energy is procured' to read: 'substitute energy is to be procured *at the same time or* after the renewable energy is procured**.'** As noted above, there are times that an agreement to provide substitute energy and RPS energy for a PCC2 product may be in the same contract. A narrow interpretation of 'procured after' could suggest the substitute energy is not procured *after* the RPS energy even though, in practice, the substitute energy was not procured prior to the renewable energy.

Additionally, IBR agrees with the staff's assessment discussed during the Workshop that substitute energy can be delivered anytime during the same calendar year as the calendar year that the RPS Energy is procured (so long as it is after—or "on" per the above example—the execution date of the contract).

Finally, Iberdrola offers the following clarification regarding the verification of "substitute energy." LSEs can procure substitute energy in two manners. The first is by entering into a firming and shaping contract with a third-party provider; in this case, staff would review the firming and shaping contract itself. The second option is for the LSE to procure and import the substitute energy on its own; in that case, staff would review the substitute energy contract.

Inter-SC Trades: Add unnecessary costs; Not relevant to schedules; Not needed

As stated in Iberdrola's public comments at the September 21 Workshop, the law and regulations have thus far been silent on the requirement of an Inter-Scheduling Coordinator Trade ("IST"). IBR does not believe that an IST should be a requirement for PCC1 or PCC2.

The IST is a financial settlement mechanism that is designed to transfer funds from an entity that is selling energy into the market to another entity that has a bilateral contract with the selling entity. Use of ISTs came into effect when the CAISO became a Locational Marginal Pricing ("LMP") market. With the market structure change, all transactions within the CAISO became strictly financial—thus traditional physical transactions between parties no longer occur within the CAISO. As such, ISTs do not have a place in the verification of an RPS transaction as they do not provide evidence of scheduled energy and will only add costs to the transaction for both parties.

With lack of clarity from regulators on this issue, some parties are requiring ISTs in PCC1 and PCC2 transactions because they think it will help prove the procurement of a bundled transaction—but this approach, while perhaps understandable, is incorrect. The IST does not provide evidence of the bundled transaction—the contract itself provides

this information. Clarifying that the IST is not a necessary step will keep the necessary flexibility in the market and help contain costs.

And further, parties that transact in a CBA that is *not* the CAISO would not use an IST because it is not a tool at their disposal. Thus, in order to keep parity and simplicity throughout the market, the IST should not be required.

In sum,

- ISTs are an unnecessary, expensive transaction cost for RPS compliance;
- An IST is *not* required by the CAISO, it is simply a tool that they offer to the market. Many parties choose to forgo an IST due to cost ($1 per hour for both counterparties); and
- ISTs are not available outside the CAISO.

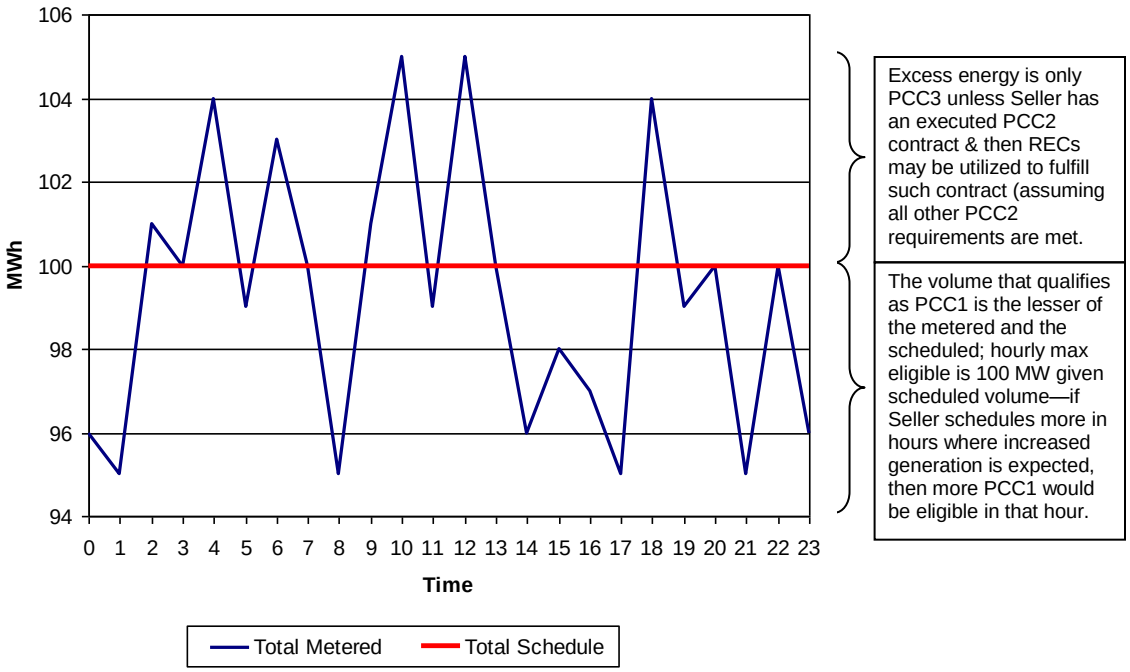
Sample Illustrations of PCC Transactions and Suggested Verification

As noted on Presentation Slides 21 and 22, a single ERER may provide products that fit into PCCs 1, 2 and/or 3 and may supply these products to more than one entity. This circumstance may appear complex and vulnerable to double-counting. The Commission should be confident that sufficient data elements are available to ensure that no double-counting has occurred.

First, only one WREGIS certificate is created for every MWh generated by any ERER; consequently, each LSE will only receive WREGIS certificates based on their contracted-for share from such ERER.

In the case of PCC1, if there is another contract (of any type) for that same facility, the seller will provide only the *pro rata* share of the metered data to the buyer of the PCC1 product for the calculation of the lesser of metered and scheduled energy. The remainder of the metered generation for the month would be allocated to the other contracts according to the respective contractual requirements.

For illustrative purposes, and to confirm our understanding, Iberdrola offers the following commentary to the chart below (the chart itself was presented by CEC staff at the workshop on Slide 19, Attachment A):



Attachments

Attachment A is the CEC Staff Presentation from the Workshop; Attachment B is a sample schematic of a Firming and Shaping Transaction with verification criteria; and Attachment C is a sample Checklist that may be useful for verification of the respective PCC transactions.

Conclusions

Iberdrola appreciates the work done to date by CEC staff to develop methodologies for tracking and verifying RPS transactions for the three PCCs. As the CEC progresses from the recent Workshop to development of implementing rules, Iberdrola respectfully requests CEC to make specific clarifications outlined in the above explanations regarding the CEC Workshop and the attached staff presentation as it prepares the *RPS Eligibility Guidebook, 7th Edition.* Additionally, in the interim, it would help buyers and sellers of renewable products if the CEC could quickly clarify some of the points described above. Iberdrola has found the lack of clarity in the marketplace to be an impediment to the completion of reasonable transactions that would be cost-effective for LSEs.

Attachment A

RPS Procurement Reporting & Verification under SB X1-2

Gina Barkalow
Renewable Energy Office
California Energy Commission

September 21, 2012

California's Renewables Portfolio Standard

Path to 33 Percent by 2020 RPS Legislation

- Original RPS signed into law in 2002
  - Required CPUC-regulated retail sellers to procure 20% renewable energy by 2017.
  - 2006 Legislation accelerated the RPS to 20% by 2010.
  - Publicly owned utilities to set their own RPS goals recognizing the intent of the legislature to attain a target of 20% of California retail sales of electricity from renewable energy by 2010.
- In April 2011, Governor Brown signed SB X1-2, which set a new target of 33% renewables by 2020 for all utilities.
- Energy Commission and CPUC staff are coordinating on each agency's roles for verification – the focus of this presentation is on the verification process necessary for the Portfolio Content Categories (PCCs).

33% RPS by 2020 Compliance Periods

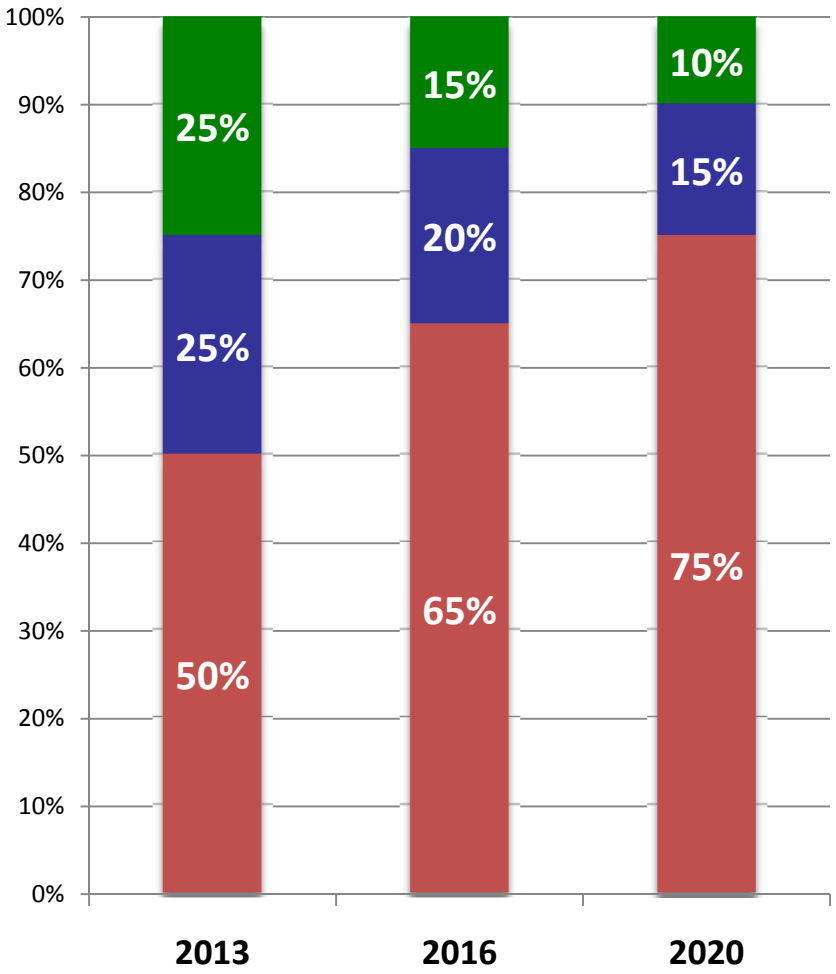
SENATE BILL X1-2
Retail sellers and POUs are to meet these RPS procurement goals:

20%
Average
2011 - 2013

Reasonable Progress to Ensure 25%
by 12-31-16

Reasonable Progress to Ensure 33%
by 12-31-20

Portfolio Content Categories & Compliance Periods



*CBA = California Balancing Authority

Portfolio Content Category 3

- Eligible electricity products, including unbundled RECs, that do not qualify under categories #1 or #2.

Category 3. Maximum Procurement – no more than:

- 25% by 12/2013
- 15% by 12/2016
- 10% by 12/2020 and thereafter

Portfolio Content Category 2

- Provide firmed and shaped electricity products providing incremental electricity and scheduled into a CBA.*

- **Category 2. No minimum or maximum procurement.**

Portfolio Content Category 1

- 1st point of interconnection with a CBA or distribution facility serving CA customers; or
- Schedule into CBA* without substituting electricity from another source; or
- Have agreement to dynamically transfer electricity to a CBA.*

Category 1: Minimum Procurement – at least:

- 50% by 12/2013
- 65% by 12/2016
- 75% by 12/2020 and thereafter

RPS Implementation - Agency Roles

CEC ROLE

- Certify renewable facilities as RPS eligible.
- **Design and implement an accounting system to track and verify RPS compliance.**
- Adopt regulations specifying the enforcement provisions for publicly-owned electric utilities in meeting the RPS.
- Issue a notice of violation and correction against a POU for not complying with the RPS.
- Refer the POU's violation to the California Air Resources Board for potential penalties.

CPUC ROLE

- Implement procurement and compliance rules for retail sellers.
- Review RPS procurement plans for retail sellers.
- Develop least-cost, best-fit process to evaluate bids to IOU solicitations.
- Standardize RPS contract terms.
- Approve/reject RPS contracts between IOUs and developers.
- **Determine RPS compliance and enforcement for retail sellers.**

Background for Presentation

Information presented today is based on:

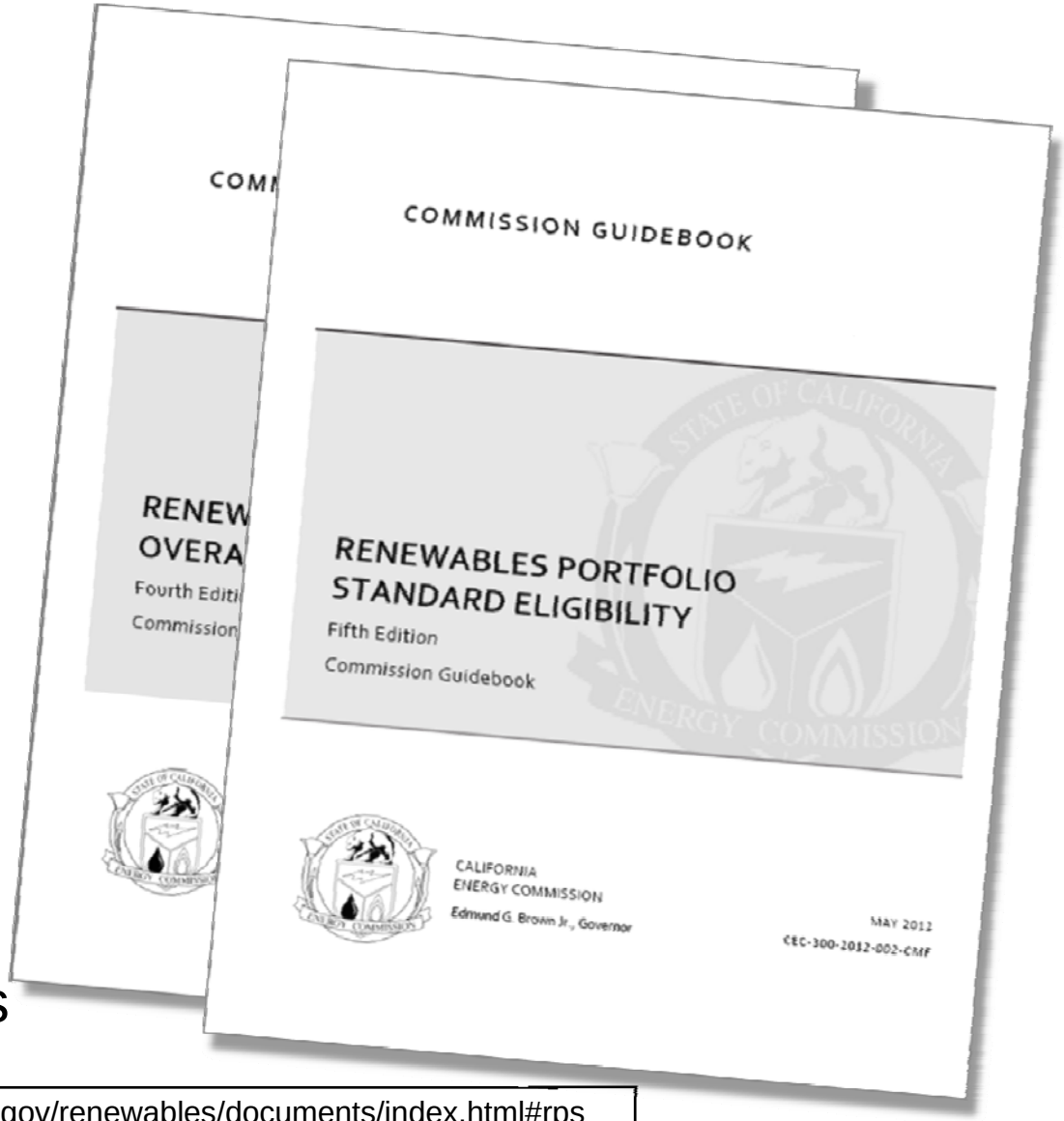
- ✓ Requirements in SBX1- 2
- ✓ Draft POU Regulations & CPUC RPS Rulemaking 11-05-005
- ✓ RPS Eligibility Guidebook

Note that the POU regulations are not final and the CPUC Rulemaking process is on-going.

This presentation and the discussion today are to help staff and parties to better participate in the development of the RPS Procurement Reporting and Verification section of the *Draft RPS Eligibility Guidebook, 7th edition*.

RPS Eligibility Guidebooks

- ✓ Describe eligibility requirements for certifying and precertifying renewable energy resources
- ✓ Describe reporting requirements and accounting system to verify RPS-eligble procurement.
- ✓ Provide applications, reporting forms, attestations, etc.
- ✓ Outline legal requirements
- ✓ Define terms



www.energy.ca.gov/renewables/documents/index.html#rps

Up to 2010 - RPS Verification Reports

RPS Procurement Verification Reports through 2010 present the amount of RPS-eligible energy procured each year by electricity retail sellers towards meeting California's RPS.

RPS Procurement Verification Reports are transmitted to the CPUC to assist in determining compliance for retail sellers.

Staff is currently verifying years 2008-2010.

- ✓ *Draft 2008-2010 RPS Verification Report* – end of year 2012.
- ✓ *Final 2008-2010 RPS Verification Report* – 1st quarter 2013.

Retail sellers reported 2008-2010 RPS data in first half 2011.

2011 and Forward - RPS Verification Reports

For 2011 & forward, staff anticipates *Compliance Period RPS Procurement Verification Reports* – One for retail sellers and one for POUs.

- ✓ Data reported, processed, and presented annually.
- ✓ The last year of the compliance period is expected to include data for all reported years in the compliance period.
- ✓ Reports transmitted to the CPUC for retail sellers and to the ARB for POUs in noncompliance.

All retail seller claims will be through WREGIS for years 2011 forward. POUs must transition from the CEC-RPS-POU reporting form to WREGIS by October 2012.

Pre-2011 - Historic Carry-Over for 33% by 2020

The Energy Commission staff has proposed to verify historic carry over for POUs.

- ✓ POUs may only count historic carry-over from facilities that have been approved and certified as having met the RPS eligibility requirements in place when the original procurement/ownership agreement was executed to count procurement as historic carry-over.
- ✓ Original contract/ownership agreement was in place before June 1, 2010.

The CPUC is determining historic carry over amounts for retail sellers through the Closing Reports, in accordance with Rulemaking 11-05-005 Decisions (e.g. Decision 12-06-038).

“Portfolio Content Category 0” - Count in Full

- ✓ The renewable energy resource was eligible under the Energy Commission rules in place as of the date when the contract or ownership agreement was executed.
- ✓ The contract or ownership agreement was originally executed before June 1, 2010.
- ✓ For IOUs, if the contract was originally executed before June 1, 2010, even if CPUC approval occurs on or after June 1, 2010.
- ✓ Electricity products from contracts modified on or after June 1, 2010, may still qualify as “count in full” if the contract amendments or modifications do not increase the nameplate capacity or expected quantities of annual generation, or substitute a different renewable energy resource.
- ✓ The duration of the contract may be extended and still qualify as “count in full” if the original contract specified a procurement commitment of 15 or more years.

“PCC0” - Reporting & Verification

Staff’s preliminary expectations of PCC 0 procurement verification documentation are as follows:

Staff will need to make PCC 0 determinations based on contract reviews.

- ✓ CPUC staff will likely conduct this analysis for the retail sellers.
- ✓ Energy Commission staff will conduct this analysis for the POUs.

Portfolio Content Category 1 - Criteria

Facility must meet one of the following criteria:

1. Have first point of interconnection to CA balancing authority (CBA).
   - California ISO; LADWP; BANC-formerly SMUD; IID; or TID
2. Have first point of interconnection to a distribution system to serve CBA end users.
3. Have generation scheduled into CBA.
4. Have dynamic transfer agreement with CBA.

Portfolio Content Category 1 - Requirements

In all cases electricity and REC must be procured bundled.

If a resale:

- ✓ must be for future generation and RECs only; and
- ✓ must otherwise meet the requirements of PCC 1.

PCC1: Minimum Procurement – at least:

- ✓ 50% by 12/2013
- ✓ 65% by 12/2016
- ✓ 75% by 12/2020 and thereafter

California Balancing Authorities & Utilities

PCC1 – Interconnected and Dynamic Transfer-Reporting & Verification

Staff's preliminary expectations of PCC1 procurement verification documentation are as follows:

Interconnected to CBA -

- ✓ copies of interconnection agreements.

Interconnected to a distribution system to serve CBA end users -

- ✓ copies of distribution system interconnection agreements.

Have dynamic transfer agreement with CBA -

- ✓ copies of dynamic transfer agreements.

Facilities that have generation scheduled into a CBA require substantially more verification documentation.

PCC1 - Scheduled into CBA - Legislative Requirements

- ✓ Facilities that are scheduled from the eligible renewable energy resource into a CBA may use another source to provide real-time ancillary services required to maintain an hourly or subhourly import schedule into a CBA, but only the fraction of the schedule actually generated by the eligible renewable energy resource shall count toward PCC 1.
- ✓ Legislation effectively requires an annual hourly analysis of meter and schedule data to determine what portion of the generation met the schedule, was under the schedule or was over the schedule.

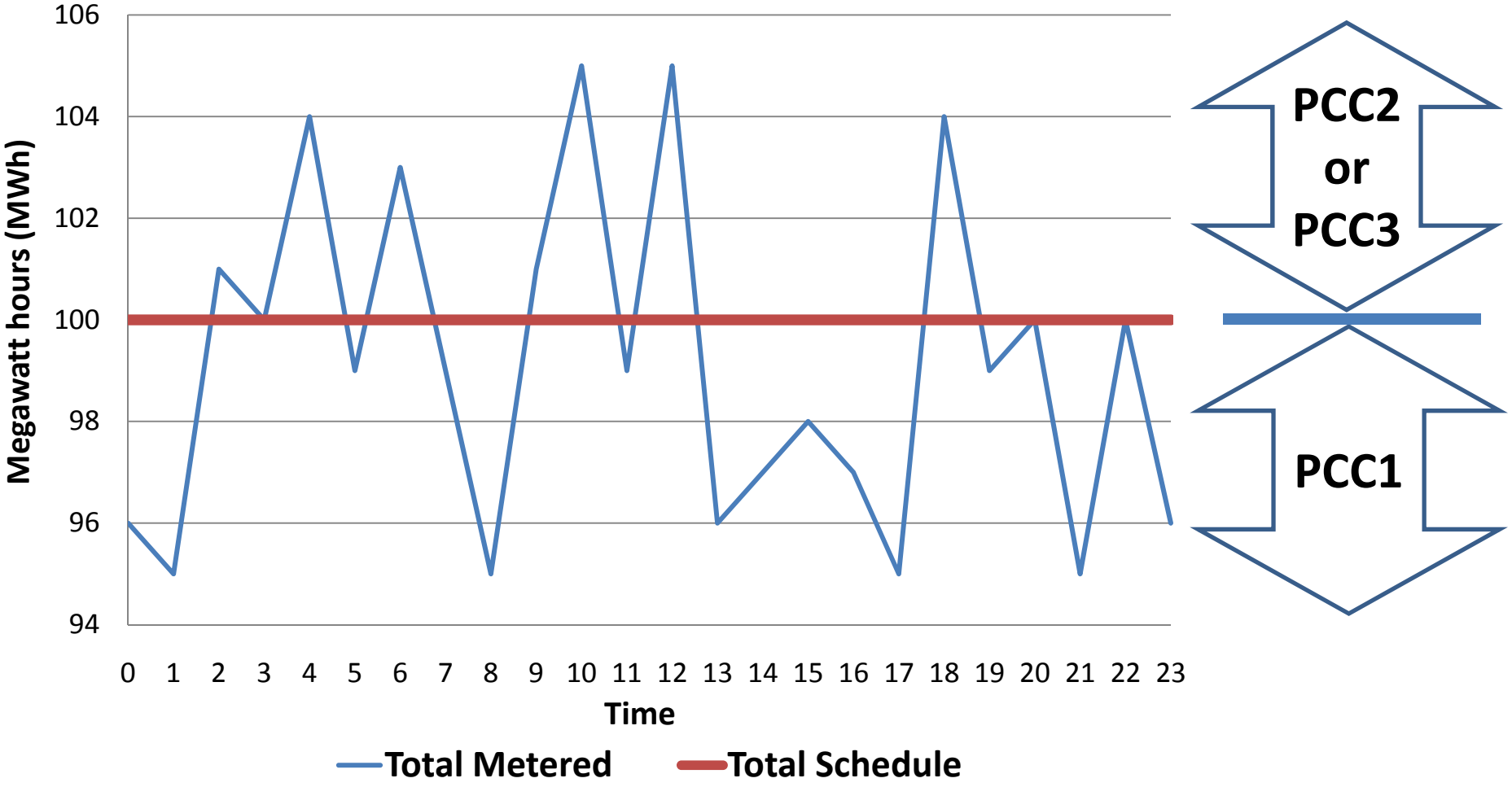
Hourly analysis cannot be done in WREGIS, which provides monthly generation data in terms of MWh Certificates.

PCC1 – Scheduled into a CBA - Initial Verification Expectations

- ✓ The Energy Commission is gearing up to be able to analyze hourly data (8,760 hours in a year – must consider annual hourly metered and schedule data – at a minimum).
- ✓ Initially, staff intends to use one Access® database per CBA scheduled facility, ultimately transferring to a more robust verification system.
- ✓ WREGIS certificates will not be created for generation for ancillary services.
- ✓ WREGIS certificates will be created for all generation.
- ✓ Reporting and verification need to distinguish PCC1.

PCC1 – Scheduled into a CBA – lesser of…

The lesser of the schedule or the meter



PCC1 – Scheduled into a CBA Hourly Analysis

Time	PCC Hourly Analysis (MWh)				
	SCHEDULE	ACTUAL	Difference	Bucket 1	Bucket 2/3
0:00	100	96	-4	96	0
1:00	100	95	-5	95	0
2:00	100	101	1	100	1
3:00	100	100	0	100	0
4:00	100	104	4	100	4
5:00	100	99	-1	99	0
6:00	100	103	3	100	3
7:00	100	99	-1	99	0
8:00	100	95	-5	95	0
9:00	100	101	1	100	1
10:00	100	105	5	100	5
11:00	100	99	-1	99	0
12:00	100	105	5	100	5
			TOTALS:	**1283**	**19**

PCC1 - Scheduled into a CBA - multiple LSEs

In the case where multiple LSEs procure from the same facility, the amount of PCC1 is likely to be determined on a percentage basis – unless there are other contractual arrangements in place.

For example:

- ✓ If LSE 1 procures 60% of the facility's total output – the amount of PCC1 allocated to LSE 1 would be 60% of each hourly PCC1.
- ✓ If LSE 2 procures the remaining 40% of the facility's total output – the amount of PCC1 allocated to LSE 2 would be 40% of each hourly PCC2.

PCC1 - Multiple LSEs - Hourly Analysis

Time	PCC Hourly Analysis (MWh)					
	SCHEDULE	ACTUAL	Difference	Bucket 1	LSE 1 - 60%	LSE 40%
0:00	100	96	-4	96	58	38
1:00	100	95	-5	95	57	38
2:00	100	101	1	100	60	40
3:00	100	100	0	100	60	40
4:00	100	104	4	100	60	40
5:00	100	99	-1	99	59	40
6:00	100	103	3	100	60	40
7:00	100	99	-1	99	59	40
8:00	100	95	-5	95	57	38
9:00	100	101	1	100	60	40
10:00	100	105	5	100	60	40
11:00	100	99	-1	99	59	40
12:00	100	105	5	100	60	40
			TOTALS:	1283	769	514

WREGIS NERC e-Tag Summary Report

WREGIS NERC E-Tag Summary Report Information
NERC Tag ID
Start Date
Stop Date
Generator Name – THIS IS THE SOURCE, FIRST POINT OF RECEIPT (POR)
Load – THIS IS THE SINK, POINT OF DELIVERY (POD)
Load Control Area – BALANCING AREA of POR
Generator Control Area – BALANCING AREA of POD
Load Serving Entity PURCHASING SELLING ENTITY (PSE)
Total MWh on Tag
MWh Remaining for Retirement
Miscellaneous Field – Must include RPS_ID

PCC1 – Reporting and Verification

Staff's preliminary expectations of procurement verification documentation for claims from facilities scheduled into a CBA:

- ✓ WREGIS Compliance Reports & WREGIS NERC e-Tag Summary Report
- ✓ RPS Generator Name as Point of Receipt* & RPS ID in Misc Field.
- ✓ Delivery amount sufficient to cover monthly and annual amounts.

LSEs must be prepared to provide sufficient documentation to support PCC1 HOURLY claims. Could include:

- ✓ Copies of associated firm transmission arrangement.

An Auditable Package -

- ✓ Annual - Hourly Meter Data & Annual - Hourly Scheduled Data.
- ✓ NERC e-Tags – specified by staff and used to randomly verify hourly amounts claimed.
- ✓ Invoices and other supporting documentation, as necessary.

Portfolio Content Category 2 or 3

For generation above the schedule:

- ✓ Electricity products may be classified as PCC 2, as long as the PCC 2 requirements are met (requirements covered in following slides).
- ✓ Electricity products may be classified as PCC 3 (requirements covered in following slides).

PCC2 – Incremental Electricity & Scheduled into a CBA - Requirements

Firmed and shaped eligible renewable resource electricity products providing **incremental electricity and scheduled into a CBA**.

- ✓ Renewable energy is firmed and shaped with substitute energy
  - Substitute energy procured after RE procured
- ✓ Substitute energy is incremental to LSE
  - Not part of LSE's portfolio
- ✓ Both facilities' first point of interconnection is outside a CBA
- ✓ Substitute energy scheduled into CA BA
  - Scheduled in same calendar year as RE is generated
- ✓ Renewable energy may not be sold back to RPS facility
- ✓ If a resale, for future generation and RECs only, and otherwise meet the requirements of PCC 2

Portfolio Content Category 2 – Reporting & Verification

Staff's preliminary expectations of required procurement verification documentation for PCC2 claims:

- ✓ Substitute energy procured after RE procured (contract check)
- ✓ Substitute energy incremental to LSE (contract check)
- ✓ Facilities' first point of interconnection outside CBA (facility check)
- ✓ Substitute energy scheduled into CA BA in same calendar year as RE is generated – (WREGIS NERC e-Tag Summary Report and WREGIS Certificate vintage)
- ✓ Energy may not be sold back to RPS facility (attestations & contract check)
- ✓ If a resale, for future generation and RECs only, and otherwise meet the requirements of PCC 2 (contract checks).

PCC2 – Incremental Electricity & Scheduled into a CBA – E-Tags

- ✓ e-Tags are created when energy is scheduled to cross Balancing Authority Area boundaries and are used to track the physical path.
- ✓ e-Tags are pulled into WREGIS if the “RPS_ID” is on the Miscellaneous /Token Field line on the physical path of the e-Tag.
- ✓ In WREGIS, Account Holders can match e-Tags to the corresponding WREGIS Certificates to show that energy was delivered to CA.
- ✓ Retail Sellers submit NERC e-Tag Summary Reports, along with WREGIS Compliance Reports, which provide verification information included on e-Tags.

PCC3 – Requirements - Reporting & Verification

Eligible renewable energy resource electricity products, or any fraction of the electricity generated, including unbundled RECs, that do not qualify under the criteria of PCCs 1 or 2.

PCC 3 – maximum requirements toward RPS targets:

- ✓ First compliance period, no more than 25%
- ✓ Second compliance period, no more than 15%
- ✓ Third compliance period, no more than 10%

Staff's preliminary expectations of required procurement verification documentation for PCC3 –

- ✓ WREGIS Compliance Reports
  - ✓ *POUs may transition from CEC-RPS-POU reporting form to WREGIS. POUs must use only WREGIS starting October 2012*

SB X1-2 Reporting in WREGIS - No > than 36 months requirement

RPS Eligibility Guidebook will be updated to include WREGIS reporting instructions.

Staff anticipates annual reporting and one retirement subaccount in WREGIS for each PCC category. For example, in one year there could be four retirement subaccounts: ("YYYY" represents the reporting year)

- ✓ YYYY CA RPS PCC0
- ✓ YYYY CA RPS PCC1
- ✓ YYYY CA RPS PCC2
- ✓ YYYY CA RPS PCC3

SB X1 2 states that retirement must occur within 36 months from the initial date of generation of the associated electricity.

- ✓ Staff will check vintage month and year of WREGIS Certificates against retirement month and year to verify this requirement.

Verification of SB X1-2 Product Content Categories

Product Content Categories	Possible Documents Required to Verify
PCC 1 – First point of interconnection to the WECC transmission grid within the metered boundaries CBA	Copy of Interconnection Agreement WREGIS Report – Compliance Report
PCC 1 - First point of interconnection with the electricity distribution system used to serve end users within the metered boundaries of a CBA	Copy of Interconnection/Net Metering Agreement Invoice substantiating amount of AB 920 procurement WREGIS Report – Compliance Report
PCC 1 – Scheduled directly into a CBA within the hour without using substitute energy. Ancillary services allowed to meet hourly or subhourly import schedule, but only renewable fraction of the schedule actually generated is RPS eligible.	WREGIS Report – Compliance Report WREGIS Report – NERC e-Tag Summary Report Auditable Package: Hourly Meter Data; Hourly scheduled data ; NERC e-Tags; Invoices, other data as necessary.
PCC 1 - Scheduled into a California balancing authority pursuant to a dynamic transfer agreement	Copy of Dynamic Transfer Agreement WREGIS Report – Compliance Report
PCC 2 –Firming and Shaping – incremental energy scheduled into a CA balancing authority	Contract date checks for RE and substitute energy contracts WREGIS Report – Compliance Report NERC e-Tag Summary Report, NERC e-Tags, etc.
PCC 3 – Products not meeting PCC1 or PCC2 and Unbundled Renewable Energy Credit –	WREGIS Report – Compliance Report

Submitting Written Public Comments

Comments are due by Monday, October 1, 2011.

For instructions on submitting comments, please refer to the Workshop Notice.

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For More Information:
http://www.energy.ca.gov/portfolio/notices/index.html

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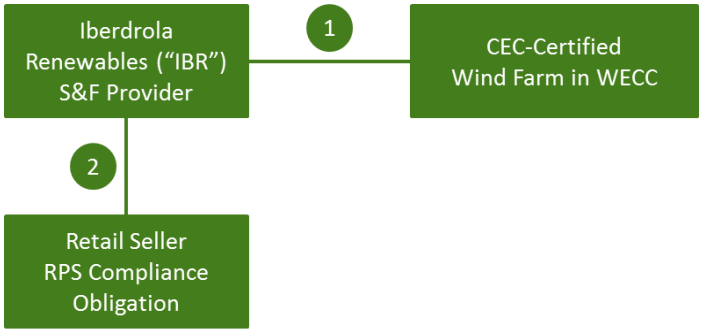
ATTACHMENT B: PCC2 Structured Transaction



IBR and Retail Seller enter into a single contract that includes the following components:

1) **<u>CEC Certified Energy & REC Purchase</u>**
   - On behalf of the Retail Seller, Iberdrola makes simultaneous purchase of energy & associated RECs from Wind Farm—Iberdrola is the "agent" for Retail Seller
   - Eligible RECs must have vintage within the same calendar year that substitute energy is delivered

2) **<u>Firming and Shaping Agreeement</u>**
   - Iberdrola delivers incremental energy to Retail Seller in an amount equal to or greater than the bundled energy & REC volume (excess incremental energy is *not* RPS eligible)
   - Incremental energy is sourced anywhere in the WECC and scheduled into a CA balancing authority

ATTACHMENT C

Out-of-State PCC Checklist and Verification

To qualify energy from an out-of-state generator (that is *not* dynamically transferred) as PCC1, the LSE must answer "yes" to the following questions and provide the Verification information:

Standard		Verification
Did the LSE procure a bundled product of energy and RECs?	✓	Review of procurement contract between the generator (or 3rd party seller) and the LSE.
Was the generator a RPS-certified facility that is interconnected to a transmission network within the WECC service territory, outside the state of California?	✓	Review CEC certification and documentation.
Did the LSE (or a 3rd party) schedule energy to a California balancing authority within the hour it was generated?	✓	Comparison of hourly schedule and meter data on an Excel spreadsheet. Quantity that qualifies as PCC1 is the lesser of scheduled and metered each hour. In addition, a random audit of e-Tags can be performed.

To qualify as PCC2, the LSE must answer "yes" to the following questions and provide the Verification information:

Standard		Verification
Did the LSE, or their agent, initially procure a bundled product of energy and RECs?	✓	Review of procurement contract between the generator and the LSE, or the LSE's agent.
Was the generator a RPS-certified facility that is interconnected to a transmission network within the WECC service territory, outside the state of California?	✓	Review CEC certification and documentation.
Did the LSE procure "firming and shaping" services to deliver substitute energy on or after the execution date of the initial bundled product?	✓	Review firming and shaping contract.
Was the substitute energy incremental to the LSE's portfolio?	✓	LSE attests substitute energy was not in its existing portfolio.
Was the substitute energy delivered within the same calendar year the RPS-certified energy was generated?	✓	Comparison of annual schedule data and REC vintage.
The energy generated by the RPS-certified facility was not sold back to the generator.	✓	Energy may be sold to an affiliate of the generator providing firming and shaping services.

[i] D. 11-12-052 @3.5.1.1.5.
[ii]D. 11-12-052@3.6.1.
[iii] Comments of Iberdrola Renewables, Inc. in R11-05-005, October, 27, 2011; pp. 10-11. "Iberdrola has several concerns with wording of the three "commercial elements" or criteria set out in the Discussion section of the PD to define a firmed and shaped product. Iberdrola interprets the first element or criterion in the Discussion, "the buyer's simultaneous purchase of energy and associated RECs from the RPS-eligible generation facility without selling the energy back to the generation"6 as intended to exclude so-called "matching" or "wash trade" transactions that were described in earlier comments by TURN7 and described by UCS and enXco as "business as usual" which the Legislature intended to relegate to Category 3.8 This wording, however, may unintentionally affect how many legitimate, non-matching firmed and shaped transactions are structured. For example, renewable energy from a specific resource may be sold back to an affiliate of the generator which provides the firming and shaping service (i.e., smoothing out the shortages and excesses in order to schedule energy for delivery in a manner that best suits the needs of the retail seller). The Commission should not discourage such transactions as they offer the valuable service of managing the intermittent nature of some renewable resources for the retail sellers of California. Iberdrola is concerned, though, that these transactions may be interpreted as a "selling the energy back to the generation" and would consequently be precluded. Conclusion of Law #16 states the first element differently: "the buyer simultaneously purchases energy and associated RECs from the RPS-eligible generation facility." These two statements may be interpreted differently and lead to uncertainty over the requirements of this element.
Therefore, Iberdrola proposes revising the first element in both the Discussion and Conclusion of Law #16 to read "the buyer purchases energy and associated RECs from the RPS-eligible generation facility without simultaneously engaging in replacement sales back to the generator."