

COMMITTEE WORKSHOP
BEFORE THE
CALIFORNIA ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

In the Matter of:)

Implementation of Renewables)
Investment Plan Legislation)

Docket No.
02-REN-1038

and)
Implementation of Renewables)
Portfolio Standard Legislation)

Docket No.
03-RPS-1078

Re:)
Draft Joint Agency Staff Report)
on Tracking Systems Operational)
Determination)
-----)

DOCKET	
02-REN-1038	
03-RPS-1078	
DATE	MAR 17 2008
RECD	MAR 27 2008

CALIFORNIA ENERGY COMMISSION
HEARING ROOM A
1516 NINTH STREET
SACRAMENTO, CALIFORNIA

MONDAY, MARCH 17, 2008

9:04 A.M.

ORIGINAL

Reported by:
Peter Petty
Contract No. 150-07-001

COMMITTEE MEMBERS

Karen Douglas, Presiding Member

Jackalyne Pfannenstiel, Associate Member

ADVISORS, STAFF and CONSULTANTS PRESENT

Suzanne Korosec, Advisor

Tim Tutt, Advisor

Kate Zocchetti

Angie Gould

CALIFORNIA PUBLIC UTILITIES COMMISSION

Sara Kamins

ALSO PRESENT

Greg Morris

John Pappas
Pacific Gas and Electric Company

Bill DiCapo
California Independent System Operator

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P R O C E E D I N G S

9:04 a.m.

PRESIDING MEMBER DOUGLAS: This is a Renewables Committee workshop on a draft Energy Commission/Public Utilities Commission report on whether the Energy Commission's tracking system for renewable generation is operational.

Senate Bill 107 requires this determination before the CPUC can authorize the use of tradeable renewable energy credits for compliance with California's renewables portfolio standard.

I'm Commissioner Douglas and the Presiding Member of the Renewables Committee. To my right is Chairman Pfannenstiel, also on the Renewables Committee. And to her right is Tim Tutt who is Chairman Pfannenstiel's Advisor. And to my left, Suzanne Korosec, my Advisor.

At this point I'd like to turn the workshop over to staff. So, Kate, could you get us going?

MS. ZOCCHETTI: Thank you and good morning. I'm Kate Zocchetti the Program Lead for the renewables portfolio standard program and the WREGIS program here at the Energy Commission.

1 Can everyone hear me? Okay. I'd like
2 to welcome you this morning, thank you for coming,
3 and happy St. Patrick's Day.

4 I want to make sure that everyone got
5 handouts that are by the doorway when you come in.
6 There's a packet that looks like this. The draft
7 report, and we also have our presentation handouts
8 there.

9 I'd like to welcome Rasa Keanini who's
10 in the audience here today because she is the
11 initial drafter of this report that we're here to
12 discuss. And she has kindly come here today to be
13 our institutional memory, so, hi, Rasa, thank you
14 for coming.

15 I'm going to be giving you some
16 background on this project, and then turn it over
17 to Angie Gould, of the Energy Commission Staff who
18 was Rasa's right arm and is my right arm now.
19 Rasa is no longer working at the Energy
20 Commission, I'm sorry to say.

21 Just an overview of our agenda today.
22 We're going to be doing a presentation, followed
23 by public comments. We're going to be discussing
24 three topics, three conditions. So if you have a
25 question or wish to comment, please fill out a

1 blue card. And I will be picking those up.

2 And for folks on the phone, please
3 mention which conditions you are going to be
4 commenting on. If you are on the phone and you
5 would like to look at our handouts or our
6 presentation online please go to
7 energy.ca.gov/webcast.

8 If you are watching the webcast and
9 listening in but you would like to comment, please
10 call us at 888-790-2948, and the passcode is
11 workshop.

12 The purpose of this staff report is to
13 develop a methodology to evaluate the three
14 conditions set forth in Senate Bill 107 that a
15 tracking system must meet.

16 The report also allowed us to determine
17 whether the conditions have been satisfied. And
18 then, finally, it provides a means to report the
19 finding and document the conclusion that the
20 tracking system has met its legislative mandate
21 which would then allow, if the PUC finds it
22 prudent to do so, it would allow the PUC to
23 authorize tradeable RECs to satisfy the
24 requirements of California's renewables portfolio
25 standard.

1 The objective of this workshop is to
2 provide a public forum and solicit stakeholder
3 input to review the three conditions that are in
4 SB-107.

5 One of those conditions is that the
6 tracking system be operational. And because that
7 was a rather vague term, the Energy Commission and
8 the PUC developed five criteria to help evaluate
9 that condition.

10 And then the joint staff developed some
11 interim conclusions that we'd like to evaluate and
12 discuss today as to whether these criteria, as
13 well as the overall conditions, have been met.

14 Just a little bit of history. The
15 beginning of the renewables portfolio standard
16 occurred with the passing of Senate Bill 1078 in
17 2002, which requires the Energy Commission to not
18 only collaborate with the PUC on implementing a
19 renewables portfolio standard, but it also
20 requires the development of a tracking and
21 accounting system to verify compliance with the
22 RPS and to insure that renewable energy is not
23 double counted.

24 In 2006 Senate Bill 107 was passed,
25 which says, among other things, that the PUC can

1 authorize the use of tradeable renewable energy
2 credits to satisfy the RPS if the CPUC and the
3 Energy Commission determine that the tracking
4 system meets the three conditions that are
5 outlined in the law.

6 In June of last year, as most of you
7 know, the renewable -- I'm sorry, WREGIS was
8 launched, the Western Renewable Energy Generation
9 Information System. And before WREGIS was
10 required to be used for the RPS, the Energy
11 Commission used an interim tracking system to
12 verify renewable energy generation and out-of-
13 state delivery.

14 And currently we are still using that
15 system to verify out-of-state delivery until that
16 functionality is added to WREGIS, which we are
17 currently working on.

18 In September last year the PUC held a
19 staff workshop on the possible use of tradeable
20 RECs for RPS compliance; and the following month
21 they issued a post-workshop ruling and a staff
22 straw proposal on tradeable REC compliance rules.

23 Just a reminder that today we'd like to
24 focus on this draft before us, and not really
25 discuss the staff's straw proposal, or that

1 proceeding, which is currently going on at the
2 PUC.

3 The process that the Energy Commission
4 and the PUC jointly undertook to develop this
5 report, we evaluated the functionalities of
6 WREGIS. We determined the operational criteria
7 that I was referring to, and proposed interim
8 conclusions.

9 Number two is what we're doing today.
10 We're holding a Committee workshop on the report.
11 We'd like to remind parties that comments are due
12 on March 19th, this Wednesday. Both agencies will
13 review those comments and revise the draft report
14 as appropriate.

15 Then the CPUC's process is that it will
16 issue a revised draft resolution in April of '08,
17 of this year. And then parties again will be
18 allowed a time to comment on that resolution.
19 Again, both agencies will review the comments and,
20 if necessary, revise the draft report.

21 And we're planning for this summer, both
22 agencies, to use their processes to adopt
23 identical reports.

24 So I'd like to introduce Angie Gould,
25 Energy Commission, who's going to talk about the

1 details of the report. Angie.

2 MS. GOULD: Thank you. So, as Kate
3 mentioned, there are the three conditions that
4 were identified by SB-107. The first is that the
5 tracking system is operational. And as Kate
6 mentioned, this is not exactly self-explanatory,
7 so we developed the five criteria to determine
8 whether this has been met.

9 The second is that it's capable of
10 independently verifying renewable energy
11 generation and delivery.

12 And the third is that it protects
13 against double counting of renewable energy.

14 So, the first condition. These are the
15 five criteria that we've developed. The first,
16 WREGIS has been launched and the software meets
17 the specifications of the Energy Commission APX
18 contract.

19 Second, the entities participating in
20 California's RPS are registered with WREGIS.

21 The third, the Energy Commission has
22 established processes to verify that RPS
23 eligibility of registered generating units.

24 The fourth, WREGIS certificates have
25 been created.

1 Fifth, the final WREGIS operating rules
2 would not preclude any reasonably foreseeable CPUC
3 REC trading rules.

4 And these are a few points we'd like you
5 to consider when making your comments on condition
6 one. We'd like you to think of any additional
7 criteria you can that should be considered for
8 this condition.

9 Also, if you think any of these criteria
10 should be deleted.

11 For each criterion is the proposed
12 methodology appropriate for evaluating this
13 condition. And this is also a point to consider
14 for the second and third conditions, as well, as
15 are the last two bullet points here.

16 For each criterion do you agree with the
17 interim evaluation proposed. And also should the
18 joint agencies evaluate the overall tracking
19 system, which is WREGIS plus the interim system to
20 track delivery, or only WREGIS.

21 Okay, so criterion one, that WREGIS has
22 been launched and the software meets the
23 specifications of the APX/CEC contract. The
24 current status of this is that WREGIS was launched
25 on June 25th with all required functionalities in

1 the system and working correctly.

2 After a 90-day acceptance period during
3 which WREGIS made sure everything was working, the
4 Energy Commission notified APX that we accepted
5 the software on October 5th. The final acceptance
6 just means that we were okay with going from the -
7 - what is that called -- the interim phase to the
8 operational phase -- implementation phase, that's
9 what it is. And we are okay with going to the
10 operational phase. And we paid APX for the
11 implementation phase. So our conclusion there is
12 that this criterion has been met.

13 Questions that we have for you regarding
14 criterion one, and these are not meant to restrict
15 your comments. These are just sort of jumping-off
16 points for you to consider when making your
17 comments on this.

18 First, do you have any issues or
19 concerns regarding the current functionality of
20 WREGIS. And second, do you think we need any more
21 public documentation or training on the WREGIS
22 functionalities.

23 The second criterion that entities
24 participating in California's RPS are registered
25 with WREGIS. Current status, all RPS-obligated

1 entities were required to use WREGIS by January
2 1st except for the three large IOUs, Pacific Gas
3 and Electric, San Diego Gas and Electric and
4 Southern California Edison. And they are required
5 to use WREGIS by May 1st.

6 However, due to concerns with the terms-
7 of-use agreement, some of the RPS-obligated
8 entities have not yet registered with WREGIS.

9 So our interim conclusion is that the
10 PUC and Energy Commission will review the
11 registered WREGIS account holders on May 1st. And
12 the Energy Commission and WECC are working with
13 stakeholders to mitigate concerns with the terms
14 of use and time for the obligated entities to
15 complete their registration by May 1st.

16 And currently the revised terms of use
17 is out for stakeholder comment. And the WREGIS
18 Committee is going to have a meeting to consider
19 approval of this revised document on April 23rd.

20 ASSOCIATE MEMBER PFANNENSTIEL: Angie.

21 MS. GOULD: Yes.

22 ASSOCIATE MEMBER PFANNENSTIEL: Let me
23 just ask, so what happens if the utilities have
24 not registered by May 1st?

25 MS. GOULD: Well, that's something that

1 we have to consider. I believe that the RPS staff
2 has decided that they will not continue to track
3 using the interim system for renewable energy
4 generation.

5 MS. ZOCCHETTI: That's correct. If they
6 are not registered and using WREGIS by May 1st
7 they will be out of compliance with the RPS.

8 ASSOCIATE MEMBER PFANNENSTIEL: So that
9 does not mean that does not imply that WREGIS is
10 not available, but rather than the generation, the
11 renewables generation from those entities does not
12 count towards RPS?

13 MS. ZOCCHETTI: That's correct.

14 ASSOCIATE MEMBER PFANNENSTIEL: Thank
15 you.

16 MS. GOULD: Okay, and a few questions
17 regarding this criterion for you to consider. How
18 should entities participating in California's RPS
19 be defined. And we have a couple examples that
20 you might want to think of, a few sort of outliers
21 that are questionable.

22 The second question. If the required
23 entities are not registered, how should the
24 Commissions encourage them to sign up with WREGIS.

25 And third, should there be a trial

1 period after which entities have signed up for
2 WREGIS, and before WREGIS is considered
3 operational.

4 Okay, the third criterion for your
5 consideration. The current status that we've
6 established processes to verify the RPS
7 eligibility of generating units.

8 The program administrator, which is
9 California RPS Staff, uploads a file with the
10 eligibility information each month. The WREGIS
11 administrator then verifies this information; and
12 the future WREGIS certificates for those
13 generating units will contain the RPS eligibility.

14 If certificates are issued before their
15 eligibility is uploaded and verified, these
16 certificates will not contain this eligibility
17 data. However, in this case the RPS Staff will
18 still be able to confirm that the certificates are
19 from an RPS-eligible facility.

20 So our interim conclusion is that this
21 criterion has been met.

22 Okay, a few questions for you regarding
23 criterion three. Are there any issues or concerns
24 regarding the designation and whether it will show
25 up in a timely manner on WREGIS certificates.

1 Second, do you have any issues and
2 concerns with the RPS eligibility attributes
3 included on a certificate. And you can find the
4 fields located on a WREGIS certificate in a
5 handout near the back.

6 And the third question. Currently the
7 certificate does not include a characteristic to
8 identify whether the certificate satisfies
9 delivery. Do you think this will impact the
10 market and liquidity.

11 Criterion four is that WREGIS
12 certificates have been created. The current
13 status. In January of this year PacifiCorp became
14 the first reporting entity to upload generation
15 data to WREGIS.

16 So our interim conclusion is that
17 certificates were created. The date was January
18 30th of this year. And the WREGIS administrator
19 confirmed that the information on those
20 certificates was accurate.

21 So we believe this criterion has
22 definitely been met.

23 And do you have any issues and concerns
24 regarding the documentation of this criterion.

25 Okay, our last criterion for condition

1 one is that final operating rules for WREGIS would
2 not preclude any reasonably foreseeable CPUC REC
3 trading rules. And for reasonably foreseeable
4 CPUC REC trading rules we use the PUC's October
5 2007 straw proposal on REC trading.

6 That straw proposal identifies six
7 categories of compliance rules that may govern the
8 REC trading regime laid out here. And at this
9 time the characterization of a WREGIS certificate
10 may be inconsistent with some of the options
11 identified by the PUC characterizing a REC.

12 So our interim conclusion for this
13 criterion is that WREGIS will not prevent the
14 implementation of any of those six categories.
15 But that further work may be required on this
16 criterion.

17 Questions we have for you regarding this
18 criterion are that do you have any issues or
19 concerns regarding the analysis of each category
20 of the CPUC's straw proposal. And the analysis
21 for each of those categories is laid out in the
22 report, which is in the handout we gave.

23 And second, can you think of any legal
24 or functional barriers that WREGIS imposes that
25 would preclude participation in REC trading that

1 we haven't thought of.

2 Okay. The second condition, which is
3 the second topic we'd like you to think about is
4 that the tracking system is capable of
5 independently verifying renewable energy
6 generation and delivery.

7 The current status is that the qualified
8 reporting entity interface control document
9 outlines guidelines for reporting generation to
10 WREGIS. And this was vetted through the
11 stakeholder process through the WREGIS Committee.
12 And you can find those guidelines in your handout
13 near the back.

14 The Energy Commission RPS Staff is using
15 an interim system currently to verify delivery,
16 but we do have a proposal in the change control
17 process for WREGIS to add delivery functionality
18 to WREGIS.

19 And I believe it was just Friday, yeah,
20 it was Friday, we had a stakeholder advisory
21 committee meeting to go over that proposal.

22 So our interim conclusion is that
23 generation is independently verified, but that
24 further work is required to verify delivery using
25 WREGIS.

1 So our questions for you here. Do you
2 believe that the ICD for reporting entities
3 provides sufficient assurance that the renewable
4 generation is being independently verified.

5 Second, do you think we need additional
6 collaboration with other states for interim
7 delivery of verification. And third, could the
8 tracking system be considered operational before
9 WREGIS includes the new functionality to verify
10 renewable energy delivery.

11 The third and last condition is that the
12 tracking system protects against double counting
13 of renewable energy in WECC. The current status.
14 Each WREGIS certificate has a unique serial number
15 which allows it to be tracked.

16 During the user acceptance testing of
17 WREGIS conducted by Energy Commission, WECC, APX
18 Staff, and also a few stakeholders, one megawatt
19 hour of renewable energy created only one
20 certificate. And each certificate could only be
21 retired or reserved for one renewable energy
22 program.

23 So our conclusion is that there is no
24 double counting of WREGIS certificates.

25 And our question for you regarding this

1 condition. Do you believe that WREGIS satisfies
2 the requirements.

3 Okay, so that is the end of our
4 presentation. A reminder is that comments are due
5 March 19th. Details of this are in the notice.
6 That is also included in the handout near the
7 back. And here is some contact information.

8 And, again, happy St. Patrick's Day.
9 Okay, so we will turn it back to the Renewables
10 Committee to begin the public comment portion of
11 the workshop.

12 MS. ZOCCHETTI: If anyone has any blue
13 cards please let me know.

14 PRESIDING MEMBER DOUGLAS: Okay, thank
15 you for that presentation. We have a number of
16 blue cards, although many of them say listen only.
17 So, if they say listen only, I will skip them
18 going through this. And if you wrote listen only
19 and changed your mind, please get us another blue
20 card.

21 So the first card I have with comments
22 is from Reed Winthorp with the Pilot Power Group.
23 Oh, no, I'm sorry, that one says listen only, too.

24 Kristy Sharp. No, that's listen only.
25 You know, I think they all say listen only. Is

1 there anybody who has a card who would like to
2 make a comment?

3 Please come up.

4 Greg Morris, could you please come up?

5 MR. MORRIS: Thank you, Commissioners.
6 I just want to make a quick comment actually in
7 response to Commissioner Pfannenstiel's previous
8 question here. And I am speaking not as the
9 WREGIS Committee, but I am speaking as a member of
10 the WREGIS Committee.

11 And I just want to say that it's been
12 very frustrating to me that we have had, it's
13 going to be a good year's delay in initiating use
14 of the WREGIS by the California utilities as a
15 result of the diddling -- and that's my word --
16 over the TOU contracts.

17 So, I would encourage all of the
18 Commissioners and Commission Staff here from both
19 Commissions to put real pressure on the utilities
20 to get this done. I don't see really that great
21 an improvement in the TOU that justifies a whole
22 year's worth of kind of over-lawyering in my
23 observation.

24 But, really, we need to get on with it.
25 And it's not that much more that really is being

1 done that's positive at this point. So the
2 process should come to an end. And anything that
3 both Commissions can do to make that happen, in my
4 opinion, would be greatly appreciated.

5 Thanks.

6 PRESIDING MEMBER DOUGLAS: Thank you.
7 Next we'll have John Pappas with PG&E.

8 MR. PAPPAS: Good morning. First of all
9 I wanted to congratulate the CEC on having done a
10 tremendous job of developing WREGIS and taking the
11 leadership position that is not only going to help
12 the State of California in terms of its RPS
13 compliance, but really the entire west. And so I
14 think some congratulation is definitely in order
15 for taking that leadership.

16 In addition, I think the combined effort
17 between the CPUC and the CEC Staff on the document
18 that's before us today, I think they've done a
19 really good job on that. So that also deserves
20 congratulations.

21 PG&E will probably have some comments to
22 file. The only thing that I wanted to at least
23 highlight at this point is that I believe that
24 there probably is a need for some kind of a trial
25 period where WREGIS would operate in parallel with

1 the existing interim tracking system methodology,
2 so that on May 1st when WREGIS does begin to
3 operate, hopefully the IOUs will be onboard by
4 then. I think it's theoretically possible.

5 Now, putting my WREGIS Committee hat on,
6 I just wanted to highlight that the revised TOU
7 has been provided to the WREGIS Committee.
8 There's a 45-day review process that was provided
9 last Monday, March 10th, which would allow for
10 approval, at least by the WREGIS Committee, if
11 there are no major changes on April 23rd.

12 And then at that point the WECC CEO, as
13 I understand it, would be the only other required
14 approval. And, again, hopefully if there aren't
15 any major changes that hopefully won't be an
16 issue, either.

17 And then at least registration by May
18 1st would be possible. But there is a lot of work
19 in terms of getting all the projects in and making
20 sure there's consistency between the existing
21 methods.

22 So, I would encourage the CEC to at
23 least consider the possibility of some kind of a
24 trial period or dual period where both systems are
25 in place at the same time.

1 Thank you.

2 PRESIDING MEMBER DOUGLAS: Thank you.
3 Our last speaker is Bill DiCapo with Cal-ISO.

4 MR. DiCAPO: Good morning. I'm Bill
5 DiCapo with the California ISO. I just wanted to
6 say initially that the process is a difficult one
7 in terms of it's a lot to do in a short period of
8 time. And our organization realizes that. I'm
9 sure many of the participants realize that.

10 I come to you as one of the lawyers, so
11 I wanted to speak just really briefly to the point
12 that maybe the lawyers have been taking too long
13 on this and dragging their feet.

14 I've been participating. We put our
15 issues from the Cal-ISO into the pot in April of
16 last year. And I've been participating in what
17 happened over the summer, largely in a listening
18 mode because most of the discussion points have
19 been around what the utilities felt they needed in
20 this one particular issue. Which, to my
21 understanding, is still not quite resolved, of the
22 software concern.

23 But I'd just point out that what the
24 lawyers' function is, is to identify the legal
25 risks which then create a potential business risk

1 for the parties that they represent. And that's
2 what the lawyers have been doing, and that's what
3 I've been doing.

4 Then it ultimately becomes a business
5 decision by the organizations to decide whether
6 they can accept the risk. And in some instances I
7 think that it may be the parties haven't all
8 gotten together yet because there hasn't been a
9 final scrubbing of those risks and having business
10 people in organizations necessarily be in a
11 position where they're comfortable.

12 I know we're in that position at this
13 point.

14 Thank you very much.

15 PRESIDING MEMBER DOUGLAS: Thank you.
16 Does anyone else have any comments at this time?

17 In that case, thank you. We'll turn
18 this over to the staff to discuss next steps.

19 MS. ZOCCHETTI: Thank you, everyone, for
20 your comments. Just a reminder that comments are
21 due by 5:00 p.m. on Wednesday, the 19th.

22 Just to reiterate, the next steps are
23 that both agencies -- and I neglected to introduce
24 Sara Kamins to my left, from the CPUC -- both
25 agencies will review your comments; revise the

1 report, as necessary.

2 Then the CPUC will issue a draft
3 resolution. And, again, an opportunity for public
4 comments. After which both agencies will adopt a
5 final version of their report.

6 So, thank you for coming today. I don't
7 have any additional comments.

8 PRESIDING MEMBER DOUGLAS: Thank you
9 very much. Then the workshop will be adjourned.

10 (Whereupon, at 9:34 a.m., the workshop
11 was adjourned.)

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CERTIFICATE OF REPORTER

I, PETER PETTY, an Electronic Reporter, do hereby certify that I am a disinterested person herein; that I recorded the foregoing California Energy Commission workshop; that it was thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said workshop, nor in any way interested in outcome of said workshop.

IN WITNESS WHEREOF, I have hereunto set my hand this 25th day of March, 2008.



PETER PETTY