

STATE OF CALIFORNIA
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In the matter of:

Implementation of Renewables Portfolio
Standard Legislation

and

Implementation of Renewables Investment Plan
Legislation

Docket No. 03-RPS-1078 and
11-RPS-01 (RPS Proceeding)

Docket No. 02-REN-1038

**COMMENTS OF SHELL ENERGY
NORTH AMERICA (US), L.P. ON
2008-2010 RPS PROCUREMENT VERIFICATION AND
SBX1 2 RPS PROCUREMENT VERIFICATION**

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Subject: RPS Proceeding

In accordance with the Notice issued by the California Energy Commission (“Commission”) on September 11, 2012, Shell Energy North America (US), L.P. (“Shell Energy”) submits its comments on the September 21, 2012 Commission Staff workshop in which two issues were discussed: 2008-2010 RPS procurement verification; and SBX1 2 RPS procurement verification. Shell Energy’s comments are as follows:

A. 2008-2010 RPS Procurement Verification

The Third Edition of the RPS Eligibility Guidebook, which was posted in January 2008, provided, for the first time, that for purposes of RPS procurement verification for RPS compliance years 2008 and thereafter, the RPS ID number must be included on the NERC e-tag

(in the “miscellaneous” field) to verify that a matching amount of substitute energy was delivered into California to meet the “delivery” requirement. As reflected in the Commission Staff’s presentation at the September 21 workshop, there were instances in which LSEs, including Shell Energy, did not have the internal processes in place to ensure that the RPS ID number was captured on the e-tag for substitute energy deliveries. At the workshop, the Commission Staff indicated that it is currently determining if claims can be considered “verified” pending evaluation of supporting documentation.

In 2009, when LSEs first reported RPS procurement for 2008 under the Commission’s new verification process, LSEs had to develop procedures to meet the new RPS procurement verification requirements, as well as meet the CPUC’s evolving RPS procurement compliance requirements. This was a time of uncertainty and instability in the State’s RPS regulations. LSEs, including Shell Energy, were making a good faith effort to meet the RPS procurement verification and compliance requirements. In some instances, LSEs did not have the tools in place to comply with every element of the new verification directives. In these instances, Shell Energy requests that the Commission invoke its discretionary authority to allow for flexibility to verify an LSE’s RPS procurement if the “delivery” requirement can be documented by alternative means.

Specifically, in instances in which the RPS ID number is not on the e-tag, the Commission should nevertheless verify that the substitute energy was “delivered” to California if the LSE can show the e-tags that were specifically targeted for rebundling with the RECs from out-of-State RPS-eligible facilities. Verification can be based upon presentation of these e-tags, along with affidavits or other documentation attesting that the generation was dedicated to match the RECs associated with RPS-eligible energy.

Shell Energy appreciates the Commission’s effort to collect supporting information from LSEs that otherwise failed to include RPS ID numbers on the e-tag, in order to verify, independently, that the energy delivered to California was matched with RECs from an out-of-State RPS-eligible facility. In view of the change in the RPS verification requirement and the unfamiliarity of many LSEs with the Commission’s modified RPS verification process, flexibility in these circumstances is appropriate. Although the RPS Eligibility Guidebook establishes the verification requirements, it takes time, training and resources for an LSE to implement internal processes to capture the information correctly, accurately, and in the format required.

An example of how difficult the process can be is the LSE obligation (first reflected in the Fourth Edition of the RPS Eligibility Guidebook) to match NERC e-tags through WREGIS. As the Commission is aware, the full functionality of this matching process did not exist right away for all business models. Even today, LSEs, suppliers and other WREGIS participants attempt to work out “glitches” that can prevent the matching of e-tags in WREGIS. Shell Energy supports the Commission Staff’s recommendation to work with LSEs to allow alternate documentation to provide the basis for verification of “deliveries.”

B. SBX1 2 RPS Procurement Verification

Shell Energy provides the following comments on the Commission Staff’s presentation respecting implementation of RPS reporting and verification requirements under SBX1 2.

1. PCC 1: Out-of-State RPS Energy Scheduled into a CBA: The Commission Staff’s presentation provided that in order to meet PCC 1 requirements, there must be an hourly analysis of “meter” and “schedule” data to determine what portion of the generation delivered from an RPS-eligible facility will count for RPS compliance. The Commission Staff refers to the “lesser of”

requirement that compares the “scheduled” RPS energy and the “metered” energy on an hourly basis.

In fact, the LSE should only be required to provide the e-tags and the generator meter data, not the “schedule,” when making the comparison between the quantity generated by the RPS-eligible facility and the energy delivered to the CBA. Schedules can be adjusted, cut, etc., while the e-tag allows entities to compare the actual quantity of energy delivered to the CBA against the meter data of the facility on an hourly basis. This “lesser of” comparison calculates the volume delivered to the CBA via e-tags against the generator’s metered quantities. The results of this calculation demonstrate exactly how much RPS energy was delivered to the CBA “as-produced.”

In this connection, the “source” can and must identify the RPS-eligible generator on the e-tag. The “lesser of” comparison then provides the information necessary to verify how much energy was delivered to a CBA (the sink) from the specified RPS-eligible facility.

The use of e-tags (rather than “schedules”) largely eliminates concern about situations in which multiple LSEs procure from a single RPS-eligible facility. Each LSE will have the e-tags that reflect its share of the energy production from the RPS-eligible facility. The Commission should only employ a percentage allocation method in the limited circumstances in which the LSE(s) has/have authorized such an allocation.

The Commission Staff presentation provides that the documentation to support a PCC 1 claim should include a firm transmission agreement. It is not necessary, however, for an LSE to provide a firm transmission arrangement in order to verify that the RPS procurement satisfies the PCC 1 requirements. Firm transmission is not necessary to demonstrate that the RPS eligible energy was delivered to a CBA without substituting energy from another source. The e-tag

proves the delivery of energy from the source (the RPS-eligible generator) to the sink (the load). That delivery may or may not utilize firm transmission.

The Commission Staff's presentation also does not address Inter-SC trades ("IST") between Scheduling Coordinators through the CAISO as part of the documentation that may be used to verify RPS procurement, and rightly so. ISTs are merely financial settlements that do not evidence physical delivery. Additionally, the CAISO applies charges to every IST transaction. Because the energy is scheduled hourly, requiring LSEs to produce ISTs would be resource intensive, add transactional costs to the end users, and would be subject to error for schedulers entering the innumerable transactions. Even within the State of California, all energy is technically delivered into and out of the CAISO. The Commission should continue its policy of utilizing the underlying contract to evidence delivery from any California Control Area to the end user.

2. PCC 2: Firmed and Shaped Transactions for Incremental Energy: The Commission Staff's presentation provided that in order to qualify for PCC 2, the substitute (incremental) energy must be purchased after the purchase of the RPS energy. This language is inconsistent with the CPUC's December 2011 decision (D.11-12-052), which requires that "the initial contract for substitute energy is acquired no earlier than the time the RPS-eligible energy is purchased and no later than prior to the initial date of generation of the RPS-eligible energy" See Decision at p. 77 (Ordering Paragraph No. 2) (emphasis added). It is often the case that substitute energy will be purchased in the same contract, at the same time, as the purchase of the RPS-eligible energy. The Commission should clarify that the substitute (incremental) energy can be purchased "at the same time as, or after" the purchase of the RPS-eligible energy.


The Commission Staff also should clarify the PCC 2 requirement that a buyer that purchases bundled RPS energy (energy plus associated RECs) from an out-of-State RPS-eligible generation facility may not sell the energy back to the generator. The Commission Staff should indicate whether, and if so under what circumstances, the buyer may sell the energy to an affiliate of the generator. In this connection, the Commission Staff should clarify what is meant that the energy purchased in the bundled transaction must be “available” to the buyer.

3. Annual Reporting Requirement: The Commission Staff’s presentation provided that there will be an annual reporting requirement for LSEs, and that the annual report will include the retirement of RECs in each of the portfolio content categories. Shell Energy asks the Commission to clarify that an LSE is to report the RECs that it has retired in the reporting year, not the RECs that it has procured in that year. An LSE should only have to report the RECs that it has retired in a particular year, because RECs that are purchased in one year may be retired in a later year.

C. Conclusion

Shell Energy appreciates the opportunity to submit these written comments.

Respectfully submitted,



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