

BEFORE THE CALIFORNIA ENERGY COMMISSION

Informational Proceeding and
Preparation of the *2007 Integrated
Energy Policy Report*

and

Implementation of Renewable
Portfolio Standard Legislation

Docket No. 06-IEP-1c
2007 IEPR

Docket No. 03-RPS-1078
RPS Proceeding

2007 IEPR – Feed-In Tariffs

**Comments of the
Center for Energy Efficiency and Renewable Technologies on
2007 IEPR “Feed-In” Tariffs**

03-RPS-1078

DOCKET
DATE MAY 29 2007
RECD MAY 29 2007

May 29, 2007

Rachel McMahon
Director, Regulatory Affairs
Center for Energy Efficiency and
Renewable Technologies
1100 – 11th Street, Suite 311
Sacramento, CA 95814
(916) 442-7785
(916) 447-2940 (FAX)
rachel@ceert.org

Introduction

The Center for Energy Efficiency and Renewable Technologies (CEERT) respectfully submits these comments following the California Energy Commission's (CEC's) Workshop on renewable energy "feed-in" tariffs held at the CEC on May 21, 2007. These comments are submitted pursuant to the Notice of Integrated Energy Policy Report (IEPR) Committee Workshop on "Feed-In" Tariffs issued on May 1, 2007, in the CEC's Docket No. 06-IEP-1c (*2007 Integrated Energy Policy Report*) and Docket No. 03-RPS-1078 (Implementation of Renewable Portfolio Standard Legislation). These written comments are submitted in support of, and as a supplement to, CEERT's oral comments offered at the Workshop.

CEERT Initial Position on Study and Application of Renewable Energy "Feed-In" Tariffs

CEERT commends the CEC and its Staff for noticing and holding a very informative Workshop on renewable energy "feed-in" tariffs. At the Workshop, CEERT indicated its full support of the CEC's efforts to continue to explore meaningful ways in which California can achieve its goals for increased renewable generation and reduced greenhouse gas (GHG) emissions encompassed both in legislation and regulation. (See, Renewable Portfolio Standard (RPS) Program (Senate Bill (SB) 1078 (2002) (as amended by SB 107 (2006)) and California Global Warming Solutions Act of 2006 (Assembly Bill (AB) 32 (2006)).

Experience with RPS Program implementation to date demonstrates that RPS-obligated load-serving entities (LSEs), including investor-owned utilities (IOUs), continue to lag and face barriers in meeting, or being able to transparently confirm their ability to meet, the current RPS goal of procuring 20% of retail sales from renewable energy resources by 2010. Some of these barriers, such as available transmission resources and project permitting requirements and delays, may not necessarily be solved immediately by a new market or procurement mechanism, such as standard offers or a "feed-in" tariff. However, it is very reasonable to begin considering such approaches now to better assist California in meeting the more ambitious RPS goal

embraced by regulators and the Governor of achieving 33% renewables generation procurement by 2020. Such enhanced renewables procurement will also be a necessary component to achieving the GHG emissions reduction goals identified by AB 32.

With this in mind, CEERT notes that those who participate in CEERT have yet to reach consensus on the specific merits of a “feed-in” tariff, especially in terms of identifying such a tariff as the best way to overcome procurement barriers that have forestalled renewable energy development in California. Among other things, CEERT continues to believe, and has long advocated for, ongoing improvements to the transmission infrastructure serving known renewable resource areas in California and the use of unbundled, and ultimately tradable, renewable energy credits (RECs) to facilitate renewable project development in the face of transmission constraints.

Nevertheless, CEERT does believe that further discussion and study of “feed-in” tariffs can be productive and will be necessary for the CEC to definitively answer the questions posed by the May 1 Workshop Notice. Thus, while the May 21 Workshop was an appropriate start on this topic, it should not be the end of the discussion.

In this regard, regulators, RPS-obligated LSEs, renewable developers, and other stakeholders now have the benefit of more than 4 years worth of data and experience on renewables development and procurement undertaken pursuant to the RPS Program. As Commissioner Geesman noted at the May 21 Workshop, the current RPS Program to date has yielded only limited delivered energy from a subset of renewable resource types. Under these circumstances, it is reasonable to conclude that, in conjunction with ongoing efforts to remove or diminish physical barriers to renewables development, a variety of procurement and transactional options, including, but not limited to unbundled RECs, may be necessary to further facilitate and incentivise the timely development of all available sources of renewable generation in California.

With reference to the questions posed by the May 1 Workshop Notice, some key answers have been provided by the presentations and discussion that took place at the May 21 Workshop that can guide and tailor the future consideration of “feed-in” tariffs. By these comments, CEERT asks that the CEC incorporate these conclusions and guidelines in its next steps in considering this issue.

- **Confirm the legality and propriety of incorporating tailored “feed-in” tariffs for use in California renewable energy procurement:** Given that California legislators, regulators, and even IOUs have embraced “feed-in” tariffs and small-scale renewable project standard offers to date, there does not appear to be any meaningful legal restriction or challenge to a properly tailored renewable energy “feed-in” tariff.¹ Similarly, the current (and potentially growing) use of such tariffs in specific circumstances in California today suggests that “harmonizing” “feed-in” tariffs with the existing RPS Program may simply not be an issue. It can, and has, been done.
- **Establish guidelines for a renewable energy “feed-in” tariff appropriate to California renewables procurement:** Overcoming possible legal challenges or “harmonizing” this tool with current programs, however, does appear to depend on properly tailoring a renewable energy “feed-in” tariff. Based on the May 21 Workshop that structure would require (1) identifying that the renewable resource, by type, project size, or initial pricing, is otherwise precluded from participation in an RPS competitive solicitation; (2) identifying a value to that renewable resource to California’s retail customers that supports creating a transparent tariff and fixed pricing to incentivize its development; (3) identifying the renewable resource(s), by type, project size, or initial pricing, eligible for a “feed-in” tariff based on the assessment undertaken in (1) and (2); (4) identifying an ongoing review process to ensure the value of the tariff and resulting renewables development (e.g., regulatory review and evaluation every year); (5) limiting the time period applicable to forecasts (e.g., 5 year forecasts) used to support tariff pricing; and (6) limiting the availability and effective period of the tariff (e.g., 2-3 years), subject to annual evaluation. While certain aspects of this exercise suggest that a “set-aside” for a particular resource or project size may result, CEERT notes that PU Code §701.3 remains good law.

¹ See, Wilson Rickerson, “What Can California Learn from European Feed-In Tariffs” (May 21, 2007) (http://www.energy.ca.gov/2007_energy/policy/documents/index.html#052107), at p. 11.

Conclusion

For the reasons stated above, CEERT urges the CEC to continue to explore the use of renewable energy "feed-in" tariffs. This work should be part of the CEC's ongoing efforts to complete the Western Regional Energy Generation Information System (WREGIS) to facilitate accounting for unbundled and tradable RECs and to continue to improve transmission infrastructure to reach known renewable resource areas in this state.

Respectfully submitted,

May 29, 2007

RACHEL McMAHON
Director, Regulatory Affairs

1100 – 11th Street, Suite 311
Sacramento, CA 95814
(916) 442-7785
(916) 447-2940 (FAX)
rachel@ceert.org