



SOUTHERN CALIFORNIA  
**EDISON**<sup>®</sup>

An EDISON INTERNATIONAL<sup>®</sup> Company

|               |             |
|---------------|-------------|
| <b>DOCKET</b> |             |
| 02-REN-1038   |             |
| DATE          | DEC 14 2007 |
| RECD.         | DEC 18 2007 |

December 14, 2007

California Energy Commission  
Docket Unit, MS-4  
**Docket Nos. 03-RPS-1078 and 02-REN-1038**  
1516 Ninth Street  
Sacramento, CA 95814-5504

Dear Commission,

Re: Southern California Edison Company's Comments on the Proposed Changes  
to the Renewables Portfolio Standard Eligibility Guidebook  
Docket Nos. 03-RPS-1078 and 02-REN-1038

Southern California Edison Company ("SCE") provides the following comments concerning the proposed changes to the Renewables Portfolio Standard Eligibility Guidebook ("RPS Guidebook"). As discussed below, additional revisions should be made to the draft revised RPS Guidebook.

**Date for Mandatory WREGIS Participation**

As SCE included in its comments to the Energy Commission on October 12, 2007, the proposed changes to the RPS Guidebook include a modification to require RPS and SEP certified facilities, retail sellers, and procurement entities to participate in WREGIS as part of RPS compliance beginning January 1, 2008. SCE and other load serving entities should not be required to use WREGIS as the sole vehicle for demonstrating compliance with California's RPS program until certain implementation issues have been fully resolved.

Although WREGIS was activated in June 2007, none of the three major California utilities ("IOUs") has signed the Terms of Use Agreement ("Agreement") that is required by account holders before they can begin to use WREGIS to report renewable generation. Furthermore, another key user of WREGIS, the California Independent System Operator ("CAISO"), also has yet to execute the Agreement. Staff and counsel for this Commission, the IOUs, the Western Energy Coordinating Council ("WECC") and CAISO have been in discussions over the past few months regarding various issues with the Agreement, many of which have been resolved. There are, however, a few major outstanding issues regarding liability, indemnification and intellectual property rights that must be resolved before the Agreement can be signed or other steps are taken.

These parties are working diligently to resolve these issues as soon as possible, but when and if these efforts will prove successful remains uncertain, as are the consequences of failing to reach mutually acceptable terms. If these issues are still being resolved and finalized, RPS obligated

entities may not be able to fully participate in WREGIS beginning on January 1, 2008. It is premature to require participation in WREGIS by the hard date of January 1, 2008, and the CEC should adopt a more flexible approach to transitioning from the current tracking system to WREGIS.

SCE prefers that the Commission revise the RPS Guidebook to provide for a one year period of parallel reporting and tracking beginning when the current discussions on the Terms of Use Agreement conclude successfully. Although SCE recognizes that this may result in additional administrative burdens for both reporting entities and Commission staff, this approach is necessary and appropriate to ensure that, in the event WREGIS is not fully capable of serving its intended purpose, neither the reporting entity nor regulators will lack the necessary information to determine RPS compliance.

### **Renewables Portfolio Standard Targets**

On page 7, the draft Guidebook states in the first full paragraph

The CPUC sets an "incremental procurement target" (IPT) for this 1 percent or greater annual increase and sets the APT for total annual RPS-eligible procurement requirements. The first year in which PG&E, SCE, and SDG&E were subject to an APT and IPT was 2004. The first year ESPs were subject to an APT was 2006.

and

CPUC Decision 06-10-050 (Rulemaking 06-05-027) determined that "any RPS-eligible procurement may be used to satisfy any portion of the APT." Further, any RPS-eligible procurement may be used to satisfy the IPT.<sup>11</sup> When a retail seller procures energy and the associated renewable and environmental attributes from a facility that is RPS certified, then the procurement may count towards the retail seller's APT, including its IPT, assuming the transaction meets applicable delivery requirements and other eligibility criteria.

<sup>11</sup>The CPUC is refining its definitions and compliance rules through Rulemaking 06-02-012 and R.06-05-027.

SCE recommends deleting any and all references to the Incremental Procurement Target (IPT) and also footnote 11. As the CPUC stated in Finding of Fact in D.06-10-050,

2. An APT-based reporting methodology measures each of the most important elements of an LSE's renewable procurement: baseline, increasing procurement by at least 1% each year, and achieving 20% by 2010.
3. Compared to the initial proposal, an APT-based system is simpler; easier to understand and administer; reasonably incorporates necessary incentives; is consistent with the letter and spirit of the law; and, based on test data, is reasonable.

Continued inclusion of references to the IPT is confusing and unnecessary.

### **Incremental Hydroelectric Generation from Efficiency Improvements**

On page 19, the draft Guidebook states that incremental increase in generation that results from efficiency improvements to a hydroelectric facility is eligible for the RPS if all of five conditions are met. Condition number 2 states “The efficiency improvements are initiated on or after January 1, 2008, are not the result of routine maintenance activities, and were not included in any resource plan sponsored by the facility owner before January 1, 2008.” SCE does not understand why the phrase “and were not included in any resource plan sponsored by the facility owner before January 1, 2008.” was included in this condition. It appears that the Commission seeks to exclude “planned” efficiency improvements, and allow only “unplanned” efficiency improvements. SCE recommends that it be deleted.

### **Hydroelectric Facilities Located in California**

On page 20, the draft Guidebook states,

A new or repowered small hydroelectric facility, conduit hydroelectric facility or incremental generation from eligible efficiency improvements located within California, is NOT eligible for the RPS if it results in an adverse impact on instream beneficial uses or cause a change in the volume or timing of streamflow. A facility may have an adverse impact on the instream beneficial uses if it causes an adverse change in the chemical, physical, or biological characteristics of water, including a change in the volume, rate, timing, temperature, turbidity, or dissolved oxygen content of the stream water.

If a new or repowered small hydroelectric facility, conduit hydroelectric facility, or incremental generation from eligible efficiency improvements to a hydroelectric facility, can demonstrate that it can operate without adversely impacting the instream beneficial uses or causing a change in the volume or timing of streamflow, it may be eligible for the RPS.

The second paragraph is redundant and should be deleted.

### **Solar Energy and Distribution Generation**

On page 24, the draft Guidebook states

The Energy Commission will not certify distributed generation facilities as RPS-eligible unless the CPUC authorizes tradable RECs to be applied toward the RPS. If the CPUC authorizes the use of tradable RECs, it may revisit the metering requirements for DG systems consistent with the measurement requirements adopted for grid connected renewable facilities and the Energy Commission’s tracking system. Facilities that receive funding under the Energy Commission’s New Solar Homes Partnership program, or Emerging Renewables Program, or Pilot Performance-Based Incentive Program, or under the CPUC-approved Self Generation Incentive Program or California Solar Initiative, or

any similar ratepayer-funded program, and facilities that benefit from net metering programs or tariffs approved by the CPUC or any POU, are considered distributed generation and may not be certified as RPS-eligible at this time.

Such a decision is likely to have a chilling effect on these programs. In Decision D. 07-01-018, the CPUC stated that

That said, we agree that RECs could have significant value and may play a critical role in decisions to invest in renewable DG. For example, even if RECs have zero value from a resale or financing perspective, they may be fundamental to making decisions to install renewables to the extent that they enable customers to make green claims. If ownership of RECs is transferred to another party, DG system owners would not be able to make valid green claims. ... Our policy priority in developing the CSI program is to achieve the goals of SB 1, specifically to encourage solar installation and create a self-sustaining solar market. Thus, we are reluctant to make a decision that could potentially discourage investments in DG solar projects and jeopardize this objective. To the extent RECs have any value, whether explicitly through the sale of RECs into a voluntary or a compliance market, or implicitly, by enabling system owners to make green claims, they may provide a benefit, which could affect the decision to invest in solar DG systems.

In the event that the Energy Commission is not inclined to even certify such projects as eligible until such time as the CPUC authorizes tradable RECs to be applied to the RPS, these developers/projects are caught in an endless "do-loop", never able to successfully achieve any status. These RECs will be worthless, and so provide no stimulus to install renewable resources. SCE recommends that this paragraph be deleted.

#### **Reports to the Energy Commission**

On page 57, the second paragraph under the heading Reports to the Energy Commission in the draft Guidebook states,

The CEC-RPS-Track form is due to the Energy Commission on May 1 (or the next business day) of each year until 2009, when WREGIS will have been operational for a full calendar year. By 2009, the CEC-RPS-Track form reporting requirement is expected to be satisfied with reports generated through WREGIS, assuming all RPS procurement data is reported to WREGIS. The CEC-RPSTrack form and instructions are provided in Appendix A.

On page 58, the draft Guidebook uses similar, but easier to understand language.

These data must be reported on the CEC-RPS-GEN form by May 1 (or the next business day) of each year until the reports from WREGIS are available in 2009 for 2008 calendar year generation.

Page 5

SCE recommends modifying the language on page 57 to conform to the easier to understand language used on page 58.

If you have any questions regarding these comments, please call me at (916) 441-2369.

Sincerely,

Manuel Alvarez

cc: Chairperson Jackalyne Pfannenstiel  
Commissioner John L. Geesman  
Commissioner James Boyd  
Commissioner Arthur H. Rosenfeld  
Commissioner Jeffrey Byron