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March 19, 2008

California Energy Commission
Docket Unit, MS-4
Docket Nos. 02-REN-1038 and 03-RPS-10781516
Ninth Street
Sacramento, CA 95817-5504

03-RPS-1078

Re: IOUs' Comments on Draft Joint Agency Staff Report on Tracking System
Operational Determination

Dear Commission:

Southern California Edison Company and Pacific Gas and Electric Company (collectively, "IOUs") provide the following comments concerning the *Draft Joint Agency Staff Report on Tracking System Operational Determination* ("Draft Report").

As indicated in the Draft Report, a finding by both this Commission and the California Public Utilities Commission ("CPUC") that the Western Renewable Generation Information System ("WREGIS") is operational is a necessary precondition to unbundled tradable renewable energy credits ("RECs") and to authorize use of those unbundled RECs for compliance with California's Renewables Portfolio Standard ("RPS"). By proposing the criteria pursuant to which this Commission and the CPUC will make this determination and also adopting a process for adoption of the Draft Report, the Draft Report makes an important step in the direction of authorizing the use of unbundled, tradable RECs as a means of complying with the State's RPS requirements. The IOUs generally support the criteria and processes proposed in the Draft Report but advocate the following two important changes to the Draft Report:

First, the Draft Report identifies the three statutory conditions that must exist before the tracking system is sufficient to allow tradable RECs. It acknowledges that the first condition, that the system be operational, requires some interpretation and proposes five criteria for evaluating whether the tracking system is operational. Criterion "b." is that "RPS-obligated load-serving entities (LSEs) and RPS generators are registered with WREGIS." This criterion is irrelevant and subject to misinterpretation. The WREGIS tracking system can be operational without the registration by all LSEs and RPS generators in WREGIS, and the lack of specificity regarding registration could be misconstrued to require registration by all LSEs and RPS generators, in which case the joint-agency finding that WREGIS is operational could be unreasonably delayed. The registration requirement is superfluous because fulfillment of criterion "d", "Certificates have been created", will demonstrate that LSEs and generators have registered with WREGIS. The IOUs suggest that criterion (b) be eliminated.

Secondly, the IOUs recommend that on an interim basis, the CEC continue to track renewable generation and deliveries in parallel with WREGIS tracking and reporting. Although the IOUs recognize that this may result in additional administrative

burden 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.

In addition, the use of a parallel tracking system will provide the CEC with an interim solution to deem WREGIS operational until such time that WREGIS can independently verify delivery of renewable energy. The Draft Report explains that within the interim tracking process, the CEC and CPUC have developed a method for verifying delivery from out-of-state deliveries. However, WREGIS does not currently have the functionality to track out-of-state deliveries. The Draft Report indicates that WREGIS staff is conducting a stakeholder process to define the functional requirements to add verification of out-of-state delivery to the WREGIS system and this may be added in the future.¹ The IOUs propose that the CEC continue to use the interim tracking system described in the Draft Report until December 31, 2008 instead of ceasing immediately after the IOUs have registered and begin using WREGIS on May 1, 2008.

Continuing the interim tracking process will give the CEC, CPUC and WREGIS users the time to be fully comfortable with the functionality of WREGIS. In addition, the extra time will allow the WREGIS stakeholder and committee process to review and execute adding deliverability to WREGIS system without the operational determination to be delayed.

* * *

If you have any questions regarding these comments, please contact one of us.

Sincerely,

Manuel Alvarez, SCE (916) 441-2369
Mark Krausse, PG&E (916) 386-5709

cc: Chairperson Jackalyne Pfannenstiel
Commissioner Karen Douglas

¹ CEC and CPUC: *Draft Joint Agency Staff Report on Tracking System Operational Determination*, March 2008, pg. 17-18