



Presentation Summary

08-IEP-1

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03-RPS-1078

DATE _____

RECD. OCT 16 2008

- Direction from 2007 IEPR
- Review Workshop Goals
- Summarize Feedback from June Workshop
- Review Policy Drivers
 - As listed in the California Feed-in Tariff Design and Options Report
- Summarize Policy Paths
- Summarize Conclusions to Date



2007 IEPR Recommendations for Feed-in Tariffs

- CPUC immediately implement a feed-in tariff
 - Set initially at MPR
 - For all RPS-eligible renewables up to 20 MW
- Energy Commission/CPUC collaborate to develop feed-in tariffs for larger projects over 20 MW
 - Working with the CPUC through this stakeholder process



Workshop Goals:

- Our goal today is to identify which feed-in tariff policy path(s) make most sense for California
 - Review policy paths and generate stakeholder dialogue through
 - KEMA team presentations
 - Updates from CPUC and CAISO
 - Panel Discussion
 - Public Comments and Q&A
- **Identify policy path(s) that stakeholders will support or at least not oppose**



June 30 Workshop Summary of Stakeholder Comments

Expanded Feed-in Tariff for California?

- Oppose:
 - Existing solicitation working
 - Would conflict with RPS
 - Want more experience with existing program first
 - Would not address other key barriers
- Support:
 - State not on track to meet RPS objectives
 - Start with under 20 MW
 - Help smaller projects obtain financing
 - Effective in increasing renewable energy in Europe



June 30 Workshop Summary of Stakeholder Comments (Cont.)

Costs:

- Not market based/would increase ratepayer costs
- Stifle innovation

Benefits:

- Increase distributed generation
- Reduce contracting costs
- Better enable developers to secure financing
- Lower costs over time



June 30 Workshop Summary of Stakeholder Comments (Cont.)

Should a Feed-in Tariff Replace the MPR?

- Different opinions on this question:
 - Should not replace the MPR
 - Tariff should be cost or value based independent of the MPR
- Allow eligible projects to participate in either process



Tariff Policy Drivers

- Based on IEPR direction and feedback from stakeholders six feed-in tariff policy drivers identified:
 1. Quantity (High Priority)
 2. Financial Security (High Priority)
 3. Diversity-A (Medium Priority)
 4. Sustainable Renewable Energy (Medium Priority)
 5. Price Stabilization (Medium Priority)
 6. Diversity-B (Low Priority)



Rationale for High Priority Drivers

1. Quantity – Increase pace of development of renewable energy to meet RPS objectives
2. Financial Security – Provide increased market certainty and financial security to help developers bring new projects online



Rationale for Medium Priority Drivers

3. Diversity “A” – Promote a diverse mix of renewable energy resources
 - A diverse mix of resources will help to increase system reliability and meet desired operational characteristics
4. Sustainable Renewable Energy – Develop a self-sustaining renewable energy industry
 - Rates designed to increase market penetration, but ratcheted down over time as facilities become able to compete effectively in the market



Rationale for Medium Priority Drivers (cont.)

5. Price stabilization – Help stabilize cost of generation
 - Cost of generation can be insulated from fluctuations in the price for natural gas by creating a diverse mix of resources



Rationale for Low Priority Driver

6. Diversity “B” – Help meet other policy objectives
 - IEPR encourages sustainable use of biomass by investor owned utilities
 - Consistent with Executive Order (S-06-06)
 - Energy derived from biomass technologies would help to increase system mix and reliability



Development of Policy Paths

- Feedback from June 30 Workshop shaped development of policy paths
 - Includes a range of paths, not limited to > 20 MW
 - Pilot scale to full market implementation
 - Representative paths, others are possible
 - Paths are not mutually exclusive
 - Included one scenario depicting possible policy path interaction
- Detailed discussion of policy paths upcoming in KEMA team's presentation



Conclusions to Date

- State not on track to meet RPS objectives
- Existing RPS solicitation experiencing a high rate of contract failure
- Increased renewable energy needed to help attain mandatory green house gas reductions
 - Must reduce emissions to 1990 levels by 2020
- Increased renewable energy will help reduce California's dependence on fossil fuels



Conclusions to Date (cont.)

- Feed-in tariffs have been successful in increasing quantity of renewable energy in Europe
- An expanded feed-in tariff for California could work in parallel with existing RPS solicitation
- An expanded feed-in tariff offers the potential to have an additional funding mechanism for renewable energy developers that will help California meet its RPS objectives



California Energy Commission

End of Energy Commission Staff Presentation

Any Questions??