

December 10, 2008

California Energy Commission  
Attn: Docket Office  
1516 Ninth Street, MS-4  
Sacramento, Ca 95814-5504

**09-IEP-1G**

**DOCKET**

**03-RPS-1078**

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RE: Independent Energy Producers Association Comments  
RE 2009 IEPR—Feed-in Tariffs  
**Docket No. 09-IEP-1G and No. 03-RPS-1078**

The Independent Energy Producers Association (IEP) appreciates the opportunity to comment in the 2009 IEPR Feed-in Tariff (FIT) discussion. IEP has been a supporter of an open and transparent competitive procurement process *when it is running properly*; however, there is not much proof that this mechanism has been working efficiently to bring renewables online. Since 2001, only approximately 600MW of new renewables have interconnected to the grid under the current structure. Furthermore, renewables in California under the Renewable Portfolio Standard program are actually declining in their percentage of annual retail sales. Under each of these conditions, it seems necessary to start exploring other avenues to achieve California's renewable goals such as a feed-in tariff. Accordingly, IEP's comments will address the following issues: 1) Next steps for evaluating a feed-in tariff; and 2) Policy Drivers/Issues facing feed-in tariffs.

**Next Steps for Evaluating a Feed-in Tariff.** As noted in oral comments at the *California Feed-in Tariff Design and Policy Options Workshop* held at the California Energy Commission (CEC) on Monday December 1, 2008, IEP recommends that the Commission, in its 2009 IEPR process, investigate further the pros and cons of implementing a FIT for generation greater than 20MW. IEP recognizes that program design is crucial for a feed-in tariff of this magnitude and therefore suggests that the CEC coordinate with both the California Public Utilities Commission (CPUC) and the Municipal Utilities to explore this option. Predictably, the implementation of this program may take 1-2 years to develop, which suggests the need to begin the discussion as soon as possible. If designed correctly, early policy signals will inform developers of the opportunity for renewable development in California.

Furthermore a feed-in tariff may actually progress the goals of the Renewable Portfolio Standard (RPS) rather than undermine them as some have suggested. The feed-in tariff approach should be a complement to the existing RPS program, not a substitute. Irrespective of whether the state adopts a 33% RPS standard, California's goal to reach 20 percent renewables by 2010 is seemingly out of reach under current procurement practices. A feed-in tariff may be a viable alternative that can enable California to get back on track to meet its long term renewable goals. Thus, the Commission should consider, as soon as possible, a FIT application for generation greater than 20MW, presumably in the 2009 IEPR process.

**Policy Drivers/Issues Facing Feed-in Tariffs.** In consideration of a feed-in tariff, the Commission must address and consider a number of policy drivers and issues. **First, regulatory certainty** is critical to provide persistent and reliable market signals on

a current and future basis. It is necessary to send these stable policy signs to the development community in order to give developers some assurance that the FIT program will not dramatically change over time. **Second**, consideration of a feed-in tariff should not await the development of new transmission, the Renewable Energy Transmission Initiative (RETI), or the Certificate for Public Convenience Necessity (CPCN). The time to begin considering a FIT for generation sized greater than 20MW is now. If California puts the planning process on hold until the latest transmission is built, its renewable energy goals will continue to be prolonged. **Third**, only generation that is actually built will be energized and thus eligible for a FIT if adopted. Considering the fact that generators are not paid until they energize under a FIT, there is really no harm in allowing projects to begin development before the transmission infrastructure is put into place. Furthermore, there *is* transmission available today that may be beneficial for a feed-in tariff. While new transmission is being built, we need to maximize the existing infrastructure that is already in place.

IEP believes that issues associated with integrating renewables are both surmountable and future orientated and, therefore, should not restrict FIT consideration now. California would have to double the amount of renewables that it currently supports in order to reach a level of penetration (20-25%) that could be detrimental. Rather than create a system where renewable construction follows the completion of transmission, California should begin to construct a system in which both can occur simultaneously. As a result, projects will inevitably be ready to interconnect by the time new transmission is operational. Now is not the time to be concerned about overbuilding the system; now is the time to begin building for the future.

In conclusion, it is time to start investigating a feed-in tariff above 20 MW as an alternative to a competitive procurement process that does not seem to be working. In addition, IEP believes that if a feed-in tariff is indeed implemented, it will be best served by the execution of the strategies recommended above. IEP thanks the Commission for the opportunity to submit these comments and looks forward to working with the Commission on these issues in the future.

Respectfully Submitted,

A handwritten signature in black ink that reads "Steven Kelly". The signature is written in a cursive style with a large, stylized "K" and a long, sweeping underline.

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