Pacific Gas and Electric Company

Mark Krausse
Director
State Agency Relations

1415 L Street, Suite 280
Sacramento, CA 95814

(916) 386-5709
(916) 386-5720 Fax
mckd@pge.com

September 14, 2010

CALIFORNIA ENERGY COMMISSION
Docket Unit, MS-4
1516 Ninth Street
Sacramento, CA 95814-5512

Re: Docket No. 03-RPS-1078 and
<u>Docket No. 02-REN-1038</u>

To Whom It May Concern:

Pacific Gas and Electric Company ("PG&E") hereby submits its comments on the proposed changes to the *Renewable Portfolio Standard Eligibility Guidebook (RPS Guidebook)* and the *Overall Program Guidebook for the Renewable Energy Program (Overall Guidebook)*. In addition to proposed changes to the RPS and Overall Guidebooks, the Energy Commission staff sought public input on additional issues under consideration for inclusion in the RPS Guidebook.

PG&E appreciates the diligence and thoughtfulness of the Energy Commission and its staff on developing and continuing to refine the Guidebooks to allow the successful operation of the program. The Energy Commission and its staff have taken a leadership role in working cooperatively with the industry to create a program that will advance the renewable energy market.

In light of the critical roles the RPS Guidebook and Overall Guidebook play in structuring California's renewable energy program and educating the industry in how to participate in the program, PG&E submits the following suggestions to ensure that the program runs smoothly and continues to support the ongoing development and utilization of renewable energy in California.

<u>Proposed Changes to the Guidebooks:</u>

In view of the importance of Western Renewable Energy Generation Information System (WREGIS) functions to the program, PG&E makes the following suggestions to ensure that all renewable generation is appropriately accounted for in the reporting process. PG&E appreciates that the Energy Commission proposes to allow participants to continue to use the Interim Tracking System for the 2008 Compliance Year and for deliveries of test energy in 2009. Even beyond these limited applications, however, there is a critical need for continued flexibility for RPS tracking. While PG&E makes every effort to ensure complete recording of its renewable energy procurement in WREGIS, there are additional circumstances (beyond delivery of test energy) under which this may not always be possible. Despite the ongoing hard work of WREGIS staff and industry participants, there are still limitations with the WREGIS system that result in discrepancies between WREGIS certificates and actual generation and delivery of renewable energy. In such cases, the Interim Tracking System should be allowed as an exception to the general rule. For example, the following situations warrant flexibility in reporting mechanisms:

- There are limited circumstances where generation and delivery data is reported in WREGIS, but the corresponding certificates are not created.

- In WREGIS, certificate corrections are not made during the corresponding month and year in which the generation and delivery occurred, but during the month in which the corrections are made. Therefore, if there is an excess of certificates in 2009 for a particular facility, the excess remains in 2009 and the certificates in 2010 are reduced by an equivalent amount. As WREGIS does not allow reconciliation of these differences so that the annual amounts are correct, there must be some mechanism to allow for reported certificates to reflect actual generation and delivery. This is particularly important as there may be uncertainty around the ability of a retail seller to retire WREGIS certificates in subsequent years. Consequently, despite careful RPS planning, a retail seller could face an unexpected shortfall in a year in which certificates are withheld in order to balance an excess made in a previous year. Having the ability to use the Interim Tracking System will allow the corrected amounts to be reported in the year in which the generation occurred.

- Correcting reported fuel splits between renewable and non-renewable amounts cannot be made after the certificate creation cycle. This has resulted in a shortfall of certificates. This software bug is expected to be fixed shortly, but depending on the timing of the corrections, exceptions may be needed to allow for flexible reporting.

- WREGIS sets MWh limits for certificates created each month based on a designated annual capacity factor or MWh ceiling. Many projects exceed these limits in various months due to the seasonality of renewable generation, resulting in certificates not being created. For example, if the assigned capacity factor for a particular generator is deemed to be 65% and the generation during the particular month exceeds the project's capacity factor level, then all the generation for the month is considered to have failed technical feasibility. If the generation amount is disputed by the WREGIS administrator, even if the excess is minimal, the WREGIS certificates for the entire month's generation will not be created. Until WREGIS processes are changed to rectify this situation or the individual generator capacity factor or MWh ceilings are increased to a level sufficient to avoid exceeding estimates of technical feasibility, flexibility in using non-WREGIS reporting is needed to ensure that generation is counted correctly and in a timely manner.

- Certificate errors may become uncorrectable once the facility's WREGIS generator unit ID is transferred to another party. Once the ID is transferred, certificate errors attributable to generation periods preceding the transfer become uncorrectable. Even with internal procedures to check and sign-off on past certificates before a generator unit ID transfer takes place, there will be outstanding issues involving 2009 certificates from certain projects. It is also possible to lose certificates attributable to the generation period immediately preceding the transfer of a generating unit ID due to the three-month certificate creation process, which could extend into the period after which the generator unit ID was transferred.

These limitations to the WREGIS system may be eliminated in the future if system upgrades to WREGIS are made to allow the correction or creation of certificates for periods and circumstances beyond WREGIS' currently capability. Until such time, however, PG&E recommends that the Energy Commission allows the use of the interim tracking system on an exception basis to track and correct certificate allocations, beyond the currently proposed limitations. This will ensure a full and accurate count of each year of a retail seller's renewable procurement.

The Energy Commission should extend the proposed deadlines for 2008 and 2009 certificate retirements, as well as the subsequent annual deadlines. Currently proposed deadlines conflict with other program requirements, as well as the timing for the issuance and correction of certificates. In addition, the proposed short time frames provide insufficient time for retail sellers, generators, WREGIS, and Energy Commission staff to handle the unforeseeable complications that are likely to arise once the new system is used for actual transactions. Even without considering the likelihood of "bugs" in the system, the amount of computing time alone needed to retire millions of RECs for each period is formidable, and this commitment will increase exponentially with the 2009 compliance year when retail sellers must begin matching up NERC E-tags for each batch of RECs.

As a result, PG&E suggests the following changes to the deadlines:

- Changing the proposed deadline for 2008 RECs from December 1, 2010 to Jan. 31, 2011: These guidelines are scheduled to be approved by November 17, 2010. Thus, a December 1, 2010, deadline for 2008 REC retirements would only allow retail sellers two weeks – including over the Thanksgiving holiday – to retire the millions of RECs for 2008. Not only is this insufficient time in general, but this will be the first time RECs are actually retired using the WREGIS system, and unexpected challenges are likely to arise. In light of the Thanksgiving and Christmas holidays, Jan. 31, 2011 would be a more reasonable deadline to allow participants sufficient time to deal with any potential issues that may arise once the new system is used for actual transactions.

- Changing the proposed deadline for 2009 RECs from March 1, 2011 to April 1, 2011: The IOUs already have a March 1, 2011, deadline for their annual RPS compliance filings. The same resources needed to retire the millions of 2009 RECs are also involved in preparing the annual RPS compliance filing. Therefore, a one month postponement of the 2009 REC retirement deadline would avoid conflicting with the IOUs' compliance requirements.

- Changing the proposed annual deadline for retirement of 2010 and subsequent RECs from June 1 to July 1: The accurate determination of the appropriate quantity of RECs for the month of December may not be final for several months, due to the need to accommodate metering information, adjustments, corrections, resubmission of data, and reissuance of RECs. A July 1 deadline for retirement of RECs for the previous year – including for the month of December – will allow retail sellers, generators, and WREGIS time to ensure that the appropriate quantity of RECs are available for retirement.

PG&E has a minor editorial suggestion to the RPS Guidebook, Section C. "Out-of-State Facilities", which is intended to clarify the intent of the language. On page 35, criteria 6), the term "third parties," should be clarified to identify to which third parties this criteria applies. Without further clarification, this term applies generically to everyone other than the facility and retail seller.

Additional Issues Under Consideration:

In Attachment B to the *Notice of Staff Workshop on Proposed Changes,* the Energy Commission raises additional issues under consideration for inclusion in the RPS Guidebook. Here, PG&E reiterates comments made at the Workshop on issue #3 "Biogas Delivery via Injection Into the Natural Gas Pipeline System."

The Energy Commission should not modify the RPS Guidebook to require biogas production facilities to be located within the WECC in order for the biogas to be RPS-eligible. Biogas is an important component of the California RPS, and the Energy Commission should foster development of the industry. Not only can biogas be stored to meet customer needs, providing critical flexibility and dampening price volatility, but biogas can use existing pipeline and generation infrastructure. These characteristics make biogas a diverse resource capable of playing an important role in achieving California RPS.

As PG&E and other industry participants mentioned at the Workshop, however, currently most, if not all, stable sources of biogas are located outside of the WECC. Changing the rules to impose WECC-only restrictions now would have a detrimental effect on the growth of the biogas industry. In fact, in light of restrictions on accessing biogas sites within WECC (much less California), there is uncertainty whether a significant biogas industry to serve California's RPS needs could develop at all if limited to WECC. Further, limiting supply for generating facilities using biogas is bound to have an upward pressure effect on prices and therefore rates. Moreover, imposing such restrictions at this stage of the RPS program would create regulatory uncertainty and undermine the confidence of industry participants, creating disincentives to invest in the continued growth and development of the technology.[1] In order to continue to foster the development of this unique technology, the Energy Commission should not further limit the industry by requiring eligible biogas production facilities to be located within WECC.

Topics Not Covered in the Proposed Changes:

PG&E supports the Energy Commission's decision not to address RPS deliverability requirements for energy delivery from out-of-state facilities and tradable renewable energy credits (TRECs) or implementing 33% by 2020 in this round of changes to the guidebooks. As the Energy Commission suggests, it is more efficient to defer modifying the Energy Commission's requirements around out-of-state deliveries until after the California Public Utilities Commission (CPUC) or Legislature has resolved the current uncertainty around the use of TRECs. Likewise, it is appropriate to postpone making changes to implement 33% by 2020 until after the adoption of RES regulations by the California Air Resources Board (CARB). PG&E looks forward to participating in the joint Energy Commission, CPUC, and the CARB workshop this fall on these topics.

In summary, PG&E commends the Energy Commission's diligent work to refine the guidebooks, but requests that the Energy Commission consider PG&E's comments. PG&E appreciates the opportunity to present these comments and looks forward to the adoption of revised RPS and Overall Program Guidebooks.

Sincerely,

Mark Krausse

cc: Ms. Theresa Daniels, CEC - RPS Group, *via E-Mail* tdaniels@energy.state.ca.us
Ms. Kate Zocchetti, CEC - RPS Unit Manager, *via E-Mail* kzocchet@energy.state.ca.us

---

1 To the extent any such restrictions are made, they should be prospective only. As discussed above, adding such restrictions now will damage the growth of the biogas industry. Retroactively rendering existing contractual arrangements for biogas ineligible would be unjust and unreasonable and would magnify this effect exponentially.