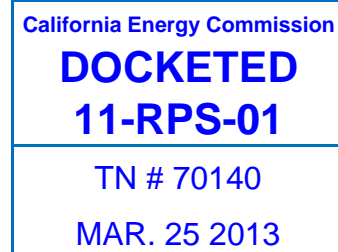




March 25, 2013

California Energy Commission
Dockets Office, MS-4
Re: Docket Nos. 11-RPS-01; 02-REN-1038
RPS Proceeding
1516 Ninth Street
Sacramento, CA 95814-5512



RE: Proposed Changes to the Renewable Portfolio Standard (RPS) Eligibility Guidebook

Ormat Technologies Inc. (NYSE: ORA) appreciates the opportunity to comment on the Proposed Revisions to the Renewable Portfolio Standard Eligibility Guidebook (Seventh Edition, Staff Draft Guidebook). The proposed revisions were discussed at the CEC workshop March 14, 2013. IEP's comments are presented below. Page citations provided below refer to the version of the Staff Draft Guidebook, in which the "strikeout" is set-off in the right margin.

The Staff Draft Guidebook states that "Electricity used by an electrical generation facility for station service is not eligible for the RPS and should not result in the creation of renewable energy credits (RECs) that are used for RPS compliance." [See *Section III: Facility Requirements*, at (A) (2), at p. 43] The Staff Draft Guidebook, at (A)(2), goes on to state that "Station service is defined in the Glossary of Terms in this guidebook." In the Glossary of Terms, Station Service is defined as "the electric supply for the ancillary equipment used to operate a generating station or substation."

The Staff Draft Guidebook, at (A) (2), also states that the proposal regarding Station Service "is consistent with the WREGIS Operating Rules, which do not provide for the creation of RECs for station service." The WREGIS Operating Rules state the following regarding station service:

9.6 On-Site Load, Station Service and Off-Grid Generation

As long as the Qualified Reporting Entity meets the requirements related to metering, communication and verification of dynamic data, WREGIS Certificates may be created for any renewable energy production serving a load that would have been served by the grid if not for the generator (on-site load).

In order for on-site load to contribute to Certificates, the Generating Unit must have sufficient metering in place to measure, either directly or through a process of netting, the on-site load. If a netting process is used, it must be designed to exclude Station

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Service. WREGIS Certificates will not be created for generation supplying Station Service. If on-site load is metered directly, the Generating Unit must have two separate meters, one to meter the on-site load and one to meter generation that is supplied to the grid and each meter must be registered separately with WREGIS. If on-site load is measured through a netting process both the meter measuring generation supplied to the grid and one of the other meters involved in the netting process must be registered separately with WREGIS. The method of metering to be used as well as the netting process, if applicable, must be reviewed and approved by WREGIS staff prior to the on-site load being registered and reported in WREGIS.

On-site load must be adjusted for transformation losses to the high side of the transformer.

Off-grid generation is not eligible for creation of WREGIS Certificates at this time.

In apparently adopting the definition and, thus, description of Station Power applied by WREGIS, the CEC is potentially compounding a number of errors. First, WREGIS is not a regulatory body in the formal sense, and the CEC is ceding important jurisdiction to a non-governmental entity by adopting the WREGIS protocol regarding station service. Second, the WREGIS protocol regarding station service is not the same as the FERC definition of station service and, thus, applying the WREGIS station service protocol unnecessarily undermines regulatory certainty. Third, the WREGIS rules conflict with the CEC's approach to the definition of generation station or facility. The CEC clearly separates fuel delivery and fuel delivery pipelines from generation facilities. In particular, the generation facility is clearly separate from the pipeline delivery loads in all biomethane scenarios outlined in the draft guidebook which aligns with the FERC definition.

Rather than adopt the WREGIS policy regarding station service, Ormat Technologies recommends that the CEC adopt the FERC definition for Station Service, and then work to ensure that WREGIS does the same. Applying the FERC definition will enhance regulatory stability, particularly as between the crucial state and federal nexus; support rather than hinder the commercial transactions that underline the development of RPS eligible renewable facilities (in California and within the WECC); and, it will significantly enhance business and developer certainty. The need for consistency in the treatment of station power between the states and federal agencies should be a paramount goal. FERC has defined "station power service" to be the following:

"electrical energy used for the heating, lighting, air-conditioning, and office equipment needs of the building on a generating facility's site, and for operating the electric equipment that is on the generating facility's site."¹).

¹ PJM Interconnection, LLC, 94 FERC 61,251 (2001)



In addition, FERC has occasionally described what station power is (or, alternatively, is not) in the following manner:

“Further, we find that neither pumping energy nor compression energy falls within our definition of station power, as articulated in the recent PJM II order. In that order, we defined station power as “the electric energy used for the heating, lighting, air conditioning, and office equipment needs of the buildings on a generating facility’s site, and for operating the electric equipment that is on the generating facility’s site.”¹

“In the April Order, the Commission recertified [Ormat Technologies’] Ormesa’s facility as a 15.22 MW net capacity small power production facility. The Commission found that, consistent with the decision in Geo East Mesa Limited Partnership, the power for the extraction and transportation of geothermal brine is not a necessary and integral part of the production process and, therefore, not auxiliary load.”²

“However, as we explain later in this order, we find that the provision of station power is distinguishable from restoration or blackstart service, as discussed in Order No. 888 and subsequent cases. Therefore, we expressly exclude from the definition of “station power” the provision of any energy associated with restoration or blackstart service, as we have defined that service in Order No. 888 and subsequent cases.”³

It is important that California retain a strong and clear nexus between the federal definition of station power when establishing its own protocol for creating, tracking/accounting, and verifying RECs. Relying on and applying the FERC Definition of Station Power helps ensure consistency across technologies in the creation of RECs, REC accounting, and REC verification.

Ormat Technologies would propose the following amendments to the language found in the Staff Draft Guidebook on Page 43. Language in [] has been added.

2. Station Service

Compliance with the California RPS is based on procurement from electrical generation facilities that are certified by the Energy Commission as eligible renewable energy resources.

Station service, also commonly called parasitic load, generally refers to the electricity consumed by an electrical generation facility for facility operations [and does not include the fuel extraction and transportation system as described by FERC.]

¹ Norton Energy Storage, LLC, 95 FERC 61,476 (2001)(June Order, p. 9)

² Ormesa LLC, 108FERC 61,200 [Docket No. QF86-681-006], Order Denying Rehearing (September 2004)

³ PJM Interconnection LLC, 94FERC61,251 [DocketNo. ER00-3513-000], Order on Petition (March 2001)



Electricity used by an electrical generation facility for station service is not eligible should not result in the creation of renewable energy credits (RECs) that are used for RPS compliance. Station service is defined in the Glossary of Terms in this guidebook.

[Adjacent eligible renewable energy resources that share station service can properly account for (REC) generation through adjustment of meters to reflect the pro-rata share of Station service assigned to each facility.]

Generation to meet station service load as defined in this guidebook is not eligible for California's RPS. This is consistent with the WREGIS Operation Rules, which do not provide for the creation of RECs for Station service.

Ormat Technologies thanks the CEC for the opportunity to comment on the Draft Renewable Portfolio Standard Eligibility Guidebook, Fifth Edition.

Respectfully,

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Policy
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