



**IBERDROLA
RENEWABLES**

**Comments and Perspectives on
RPS Verification and Implementation**

November 30, 2012

Primary Goal: Clarity & Simplicity

Ongoing Clarification Needed for PCC (Bucket) Classification Rules

- Uncertainty breeds complex & costly contracting
- Buyers (fairly) fearful of after-the-fact non-compliance
- Unintended consequences in overly-conservative rule interpretation

Missing piece of puzzle: Upfront Bucket Classification

- Only IOUs obtain pre-approval of contracts & even then, don't get Bucket classification
- Bucket "Checklist" can provide clarity to all market participants
 - Complements CEC Form & can be utilized as part of upfront classification
 - Allows all market participants to understand required elements for Bucket classification
 - Published Checklists helps all market participants without putting additional burden on CEC & CPUC Staff

Checklist: Bucket 1 – In-State or In-State Equivalent

Section 3203(a) of the CEC Draft 33% RPS Pre-Rulemaking Draft Regulations, July 2012



CEC Regulation for PCC 1: <u>One</u> of following is a Required Element	Qualification Requirement for Up-Front Classification
<p><u>In-state Option #1:</u> RPS Energy generated by facility with first point of interconnection within a CA balancing authority area.</p>	<ul style="list-style-type: none"> • Interconnection Agreement for Facility • If IA not yet signed, Facility information in contract
<p><u>In-State Option #2:</u> RPS Energy generated by a facility with first point of interconnection to a distribution system (aka in the service area boundaries of a utility distribution company) within a CA balancing authority area.</p>	<ul style="list-style-type: none"> • Interconnection Agreement for Facility • If IA not yet signed, Facility information in contract
<p><u>Out-of-State Option #1:</u> RPS Energy delivered from a facility into a CA balancing authority within the same hour it is generated (“source-to-sink” delivery) and without substituting electricity from another source. POU Board (or its delegate) has approved the agreement prior to energy flowing. Only the lesser of generation and energy delivered to CA will count for this PCC1.</p>	<p>Contract includes provisions for:</p> <ul style="list-style-type: none"> • Source-to-sink delivery scheduling requirements • Data requirement to compare scheduled and metered data on an hourly basis • Delivery date starts after execution—implying consent by POU Board
<p><u>Out-of-State Option #2:</u> Executed dynamic transfer contract between a CA balancing authority and the balancing authority where facility is located, allowing for dynamic transfer of facility’s electricity into the CA balancing authority area during the hour it is generated.</p>	<ul style="list-style-type: none"> • Executed Dynamic Transfer Contract

Checklist: Bucket 2 – Firming & Shaping

Section 3203(b) of the CEC Draft 33% RPS Pre-Rulemaking Draft Regulations, July 2012

CEC Regulation for PCC 2: All Required Elements	Qualification Requirement for Up-Front Classification
WECC interconnected CEC-certified facility for bundled energy & RECs and substitute energy, both sourced outside of CA	Contract includes provisions for: <ul style="list-style-type: none"> • RPS Energy (RECs) sourced from CEC-Certified renewable energy projects located outside CA • Substitute energy sourced outside of CA <ul style="list-style-type: none"> • Sources: Market power, any asset in Seller's portfolio (including the CEC Certified project)
Substitute energy is incremental to POU's supply portfolio	<ul style="list-style-type: none"> • Contract includes representation by Buyer to this effect
Substitute energy is procured at the same time or after the bundled energy & RECs are procured	<ul style="list-style-type: none"> • Option #1: Substitute Energy & RPS Energy purchased in same contract • Option #2: Execution Date of Substitute Energy contract on or after Execution Date of RPS Energy contract
Substitute energy is imported into CA in same calendar year that bundled energy & RECs are created	<ul style="list-style-type: none"> • Contract includes specified delivery dates for Substitute Energy, matching vintage of RPS Energy
Bundled energy is not sold back to facility that generated it	<ul style="list-style-type: none"> • Contract includes representation by Seller to this effect • Note: IBR seeks clarification that selling to an affiliate for a Bucket 2 deal is allowed

Checklist: Bucket 3 – Unbundled RECs

Section 3203(c) of the CEC Draft 33% RPS Pre-Rulemaking Draft Regulations, July 2012



CEC Regulation for PCC 3: One of the following is a Required Element	Qualification Requirement for Up-Front Classification
Unbundled RECs	<ul style="list-style-type: none">• Contract is only for RECs sourced from facilities located in the WECC
Other electricity products procured from RPS - certified facilities located within the WECC transmission grid that do not meet the requirements of either PCC1 or PCC 2.	<ul style="list-style-type: none">• Any executed deal that fails to qualify as PCC1 or PCC2

After-the-Fact Verification: Data Sources

Facility Related Information (Location, Type, COD, Fuel, etc)

- CEC Certification Application
- WREGIS: Project registration includes all key facility information

Product Classification

- Contractual provisions

Quantity to be used for RPS Compliance:

- In-State Bucket 1: Meter Data from Facility(ies)
- Out-of-State Bucket 1 and Bucket 2:
 - Meter Data: Hourly meter data provided by facility owner and/or QRE data
 - Hourly Schedule Data: NERC eTag data (which reflects final schedule of energy delivered to CA)
 - NERC eTag data: Source, Sink, volume, date, delivery hour(s)
- WREGIS Certificates retired by LSE

Examples of Market Uncertainty

Inter-Scheduling Coordinator Trade (“IST”): Unnecessary & Additional Costs

- ISTs are not identified in any of the CEC or CPUC regulations for Bucket 1 or Bucket 2
- ISTs do not provide evidence of bundled transaction but rather are a settlements tool (transfers CAISO payment from one entity to another)
- Contract provides evidence bundled transaction
- In-State Bucket 1: Regulations are only for location of facility (delivery is assumed—not a specific requirement)
- Out-of-State Bucket 1 and 2: Rely on NERC eTag data for evidence of RPS Energy flowing into CA

Bucket 2 Element: “Bundled energy is not sold back to facility that generated it”

- Some entities both own facilities and can provide Firming & Shaping services
- Affiliate of a facility should be able to procure RPS Energy from such facility in this case

CPUC Bucket 2 Requirement: Too narrow of interpretation by some

- Requires: “buyer's simultaneous purchase of energy & associated RECs from the RPS-eligible generation facility without selling the energy back to the generator;⁸⁰”
- “Without selling the energy back to the generator” – same clarification needed as noted above
- Footnote 80: Allows Buyer to utilize an “agent” (aka its F&S provider) to make such purchase

Our Recommendations

1. Use Checklists as mechanism to guide upfront classification of PCCs to ensure market participants are confident of meeting the requirements
 - Publish Checklists in the CEC Guidebook
2. CEC and CPUC should deploy single common Checklists in order to promote a uniform marketplace
3. Confirm that ISTs are *not* a requirement for Bucket 1 and Bucket 2—other verification tools are sufficient
4. Clarification of Facility affiliate rules: Allow affiliates to
5. The CEC Form is provided by LSEs upon contract execution
 - CEC should utilize random audit rights for detailed data analysis: Hourly meter data, hourly schedule data (sum of eTag data), WREGIS reports, invoices

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Appendix: Inter-Scheduling Coordinator Trade (“IST”)

- What is an IST?
 - CAISO is an LMP market, therefore buyers & sellers can *only* transact with the CAISO—no physical delivery of power like the rest of the WECC
 - In order to avoid double-payment, an IST is a settlements tool whereby the CAISO transfers funds it would have paid a Seller of energy to the other counterparty on the IST (aka the Buyer)
 - The IST does not show:
 - A physical delivery of power between the Seller and Buyer
 - A bundled sale of energy & RECs
 - The “point of delivery” identified on the IST is not required to match the delivery point of the energy (eg the import point or the asset’s Pnode)
 - ISTs are burdensome because: 1) the CAISO charges parties to use an IST (\$1 per hour for both counterparties); and 2) requires extra work for both scheduling desks.
 - ISTs are strictly a tool offered by the CAISO—thus non-CASIO entities cannot use this tool. Requiring the use of an IST is an unfair compliance obligation to some market participants.
 - Regulations do not denote where payment for the product must come from—aka payment from CAISO due to its market structure should not exempt a product from proper Bucket classification.
- One Potential Solution: Invoicing Mechanism
 - Seller tracks the payments that it will receive from the CAISO for the in-state generation or imported power and sums such amount for a month.
 - Seller provides a “CAISO Credit” on the monthly invoice by which the payment the Seller receives from the CAISO for the generation or import of energy is shown as a credit on the invoice.
 - Advantages:
 - Provides simple internal tracking for both counterparties
 - Cost effective
 - Seller still receives full contract price