

December 12, 2012

Comments of Powerex Corp. on SBX1-2 - RPS Reporting and Verification
California Energy Commission and California Public Utilities Commission joint staff
working group meeting of November 30, 2012

Powerex Corp. (Powerex) hereby respectfully submits its comments on the SBX1-2 RPS Reporting and Verification California Energy Commission (CEC) and California Public Utilities Commission (CPUC) joint staff working group meeting of November 30, 2012.

Powerex would like to thank the CEC and CPUC for the opportunity to provide comments on the presentations and discussion at the working group meeting.

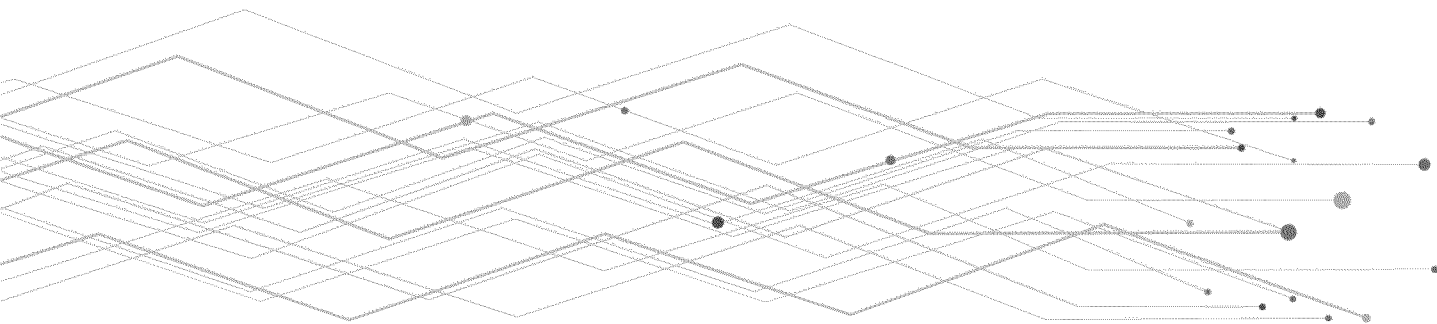
CAISO Inter-Scheduling Coordinator Trades

At the working group meeting, several parties pointed out that CAISO Inter-Scheduling Coordinator Trades do not generally show physical transfer of energy from seller to buyer in the CAISO market. The role of ISTs under a forward energy market is to provide a settlement service for bilateral energy contracts.¹ As such, ISTs are likely not necessary for RPS verification purposes as neither of the delivery provisions for portfolio content category (PCC) 1 or PCC2 requires an accounting for the energy once it has entered a California Balancing Authority (CBA). SBX1-2 requires that PCC1 energy be scheduled from the eligible renewable energy resource into a CBA without substituting electricity from another source. Similarly, for PCC2 transactions substitute energy must be scheduled into a CBA.

The above discussion highlights the need for further clarity on the type of showing required to verify PCC1 and PCC2 transactions. For example, the CEC and CPUC could clarify whether information in addition to that contained in the e-Tag, revenue meter data and contract between counterparties would be needed to verify compliance with PCC1 and PCC2 products. Without additional guidance on the elements required for verification, as well as the role of ISTs, it is difficult for counterparties in the market to determine with certainty what will be deemed to meet the portfolio content categories.

Although ISTs may not be a requirement for regulatory verification, they are useful for settlement purposes between buyer and seller within the CAISO. From a contractual perspective, the ISTs can be used to show transfer of title of the product from seller to buyer and, from a regulatory perspective, should be deemed sufficient to show scheduling and delivery of energy to a buyer.

¹ <http://www.caiso.com/1788/1788ed5721f70.pdf>



Rules in Place

In their October 9, 2012 comments on the CEC Staff workshop on 2008-2010 RPS Verification and SBX1-2 RPS Procurement Verification, the Los Angeles Department of Water and Power (LADWP) argued that the CEC change its interpretation of “rules in place” to recognize that for POU, the “rules in place” were the POU RPS Policy as adopted by the POU governing boards, not compliance with legacy CEC’s RPS Eligibility Guidebooks.

There is nothing in SBX1-2 compelling the CEC to interpret the term “rules in place” such that only those resources that would have been eligible under then-existing RPS Guidebooks would count for RPS compliance purposes. Powerex agrees with LADWP that the “rules in place” for POU prior to SBX1-2 were the rules established by individual POU for their own RPS programs. It is unfair to now penalize those POU that were actually trying to procure renewables prior to SBX1-2 because those renewables were procured under the rules of the POU’s then-existing RPS programs rather than the CEC’s then-existing RPS eligibility rules, which were not applicable to POU at that time.

Powerex thanks the CEC and CPUC joint staff working group in advance for its anticipated consideration of the subject comments. Should you have any questions with regards to these comments, please contact the undersigned.

Sincerely,

/s/ NANCY NORRIS

Nancy Norris
Powerex Corp.