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Re: Comments of the Alliance for Retail Energy Markets ("AReM") on Joint CEC and CPUC Workshop regarding SB X1-2: RPS Reporting and Verification

Pursuant to the schedule set at the November 30, 2012 Joint CEC and CPUC Workshop regarding revisions to RPS verification reporting, the Alliance for Retail Energy Markets ("AReM") provides the following comments. AReM appreciates the collaborative efforts of the energy agencies' staff in working with stakeholders to develop a streamlined compliance reporting in light of the significantly increased complexity of California's renewables portfolio standard ("RPS") program adopted under SB X1-2. The comments provided here augment the oral comments presented at the workshop.

AReM represents the interests of electric service providers ("ESPs") subject to California's RPS program. ESPs typically procure for their RPS needs on a relatively shorter contract term basis corresponding with their customers' underlying retail commitments and regulatory obligations. AReM members typically do not enter very long-term RPS transactions and may contract for a portion of an eligible resource's total generation capacity. Conversely, the CPUC-jurisdictional IOUs often enter 20+ year contract terms for full facility output. Accordingly, certain proposals contemplated at the workshop that appear to anticipate long-

running arrangements between the resource and the retail seller may not be appropriate in the context of ESPs' procurement simply because they will have multiple, shorter-duration contracts with resources that may be selling to other LSEs as well.

For example, proposals that LSEs that do not own generation provide additional data regarding the "static" characteristics of the generation from which they purchase will be a regulatory burden and an inefficient approach for data collection, particularly where that information may not be provided under the terms of the existing RPS procurement contract. During the workshop the staff noted that this generator-related data was being sought from LSEs simply because there would be fewer entities from whom to collect that information. From the retail seller perspective, however, that information should be the responsibility of the certified generators to provide to the CEC since it is the generator that will have the interconnection or dynamic scheduling arrangements and because the generator would have the commitment to maintain its eligibility under the RPS program as it changes over time. AReM suggests that the generator-specific information be secured directly from the renewable generation resources with the California certifications through a supplemental data request and that these data requirements be incorporated into the certification process for new resources. This is appropriate since these resources should have the best detailed data on their interconnections including any arrangements for dynamic transfers between Balancing Authorities. Such static generator data may be satisfied by providing the FERC docket number for generator's currently effective interconnection agreement such as a Large Generator Interconnection Agreement. In any event, the CEC should recognize that the LSEs may not have that information at hand and, particularly where the retail seller has no direct role in the ownership or operation of the facility, the LSE may not have any better access to the data than the CEC.

As discussed in detail at the workshop, AReM agrees with various other parties that the marketplace will benefit from a voluntary mechanism whereby retail sellers can get a staff-level review and concurrence that their contract structures should meet a particular Product Content Category ("PCC") classification if deliveries occur as contemplated under the contract. Such a mechanism for retail sellers not subject to a mandatory pre-approval process would alleviate significant regulatory uncertainty and risk for the retail seller, their retail customers, as well as the renewable suppliers. This contract structure review would necessarily be done with the understanding that the ultimate determination of RPS eligibility and PCC category of the delivered volumes may occur after CEC review of the product delivery details and PCC category claim. However, a voluntary mechanism that would validate the contract structure and the commercial intention between buyer and seller would avoid a potentially very undesirable event of procurement disqualification years after contract execution due to contract structure issues—as opposed to problems with the production and delivery from the resource. This review mechanism would be an optional approach for those cases where conferring with regulatory staff about the detailed contractual mechanics could help minimize risks that come from the contract structures alone. This sentiment was echoed by buyers and sellers during the joint workshop when a number of non-IOU parties supported the concept because it could reduce regulatory risks for the parties and help avoid later compliance and commercial problems that could result in protracted commercial disputes and loss of value to customers.

AReM also requests clarification and concurrence by the energy agency staff that PCC-3 products can be procured after production of the energy associated with the REC (provided the REC is retired within 36-months of the energy production) for application within a current compliance period, whereas procurement of the PCC-1 and PCC-2 products may only occur for

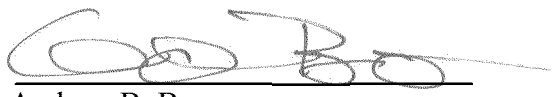
the bundled products where energy flows after the procurement contract is executed. In the case of PPC-3 procurement, there is no energy transaction for the unbundled RECs, and the only regulatory limitations should be the application of the 36-month rule and the need to have the procurement contract executed within the earliest compliance period so that the product may be applied for compliance purposes.

With respect to the use of inter-Scheduling Coordinator trades ("ISTs"), AReM also requests clarification and concurrence that ISTs are not required for *any* transactions since ISTs are essentially financial (rather than physical) in nature. Physical delivery validation of PCC-1 and PCC-2 claims should be addressed through use of e-Tag data regarding scheduled power flows between Balancing Authorities where the delivery originates outside of California, or meter data of production for facilities located in, or interconnected with, a California Balancing Authority ("CBA"). AReM believes that for resources located within a CBA, that the meter data reported by the qualified reporting entity ("QRE") should be sufficient to show a PCC-1 eligible production subject to validation of contract details showing procurement of a bundled product.

AReM urges the California energy agencies to develop, to the greatest extent possible, a uniform data template that could be used by both agencies for their data review. Coordination of production and validation data should allow parties to create commercial commitments for supplier-specific information over the term of their contracts and to minimize inconsistencies or errors in reporting.

AReM appreciates the opportunity to provide these written comments to supplement those comments made during the joint workshop. We look forward to continue our work with CEC and CPUC staff, as well as other stakeholders, and the details of the complex RPS program are developed.

Respectfully submitted,



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