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MEMORANDUM

TO: California Energy Commission
California Public Utilities Commission

FROM: Northern California Power Agency

SUBJECT: Comments on the November 30, 2012 Working Group Meeting on RPS
Verification Process

The Northern California Power Agency¹ (NCPA) appreciates the opportunity to provide this feedback to the California Energy Commission (CEC) and California Public Utilities Commission (CPUC) staff regarding the proposed process for verification of renewable portfolio standard (RPS) procurement under the provisions of Senate Bill (SB) X1-2.

INTRODUCTION

With the understanding that this process is still ongoing, and in the interest of creating a method for verification that is comprehensive and not overly burdensome, NCPA offers the following comments to the CEC and CPUC for purposes of developing a verification process under the mandates of SBX1-2.

SBX1-2 assigns distinct roles and responsibilities to the CEC, CPUC, retail sellers and the governing boards of publicly owned utilities (POUs). Those responsibilities are defined in a number of different places, including CPUC decisions, the CEC's proposed RPS Eligibility Guidebook, and RPS enforcement and procurement plans promulgated by the individual POUs. Rules regarding compliance with SBX1-2 will also be reflected in the CEC's RPS implementation regulation, expected to be adopted by the CEC either immediately following or simultaneously with the adoption of the revised RPS Eligibility Guidebook, in the spring of 2013. Because SBX1-2 implementation is a coordinated effort involving several agencies and varying

¹ NCPA members include the cities of Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto, Redding, Roseville, Santa Clara, and Ukiah, as well as the Bay Area Rapid Transit District, Port of Oakland, and the Truckee Donner Public Utility District. NCPA's Associate Members are the Plumas-Sierra Rural Electric Cooperative and Placer County Water Agency.

documents, it is important to ensure that all stakeholders have a clear and unambiguous understanding of the proposed verification processes, and that the terms and definitions employed in that process are consistent with the legislation itself.

Furthermore, because RPS verification also involves data and information provided to the CEC for other purposes, it is also important that RPS reporting not be duplicative and thus be streamlined to the greatest extent possible. Not only will this reduce the administrative burden placed on both the entity responsible for reporting and the entity required to review the submitted reports, but it will reduce the opportunity for data entry errors, conflicting summary reports, and potential confusion to those using the data for analysis.

COMMENTS ON ISSUES RAISED DURING THE WORKING GROUP MEETING

Consolidated Reporting

NCPA appreciates the efforts taken by Staff to develop the proposed Excel-based RPS reporting spreadsheets. NCPA looks forward to further working with CEC Staff on this, as well as the integration of the RPS procurement data for the current compliance period and for the proposed database under development for use in 2014 and beyond.

To the greatest extent possible, RPS reporting to the CEC should be done in a single, consolidated spreadsheet file, regardless of whether the information will be reviewed for purposes of RPS verification, power source disclosures, power content label creation, or for other programmatic uses. If the same information is used for more than one purpose, it should still be provided to the CEC in only one place. Furthermore, since the CEC is in the nascent stages of developing a new, comprehensive database for contract information, NCPA also urges the Commission to ensure that development of its new database – to be used for 2014 and beyond – is done in such a way that the existing static contract information can be exported into the new system with little or no additional inputs.

Facilitating the reporting of all information in one place greatly reduces the administrative burden on both the agencies reporting the data and the entities charged with reviewing the data. Furthermore, it will result in greater consistency and reduced confusion in the long run, as a single document reduces the opportunities for data entry errors and potentially conflicting reports based on those errors. It also provides a single point of reference for all inquires. While NCPA understands that development of the verification spreadsheets cannot be coordinated with a single consolidated report in one fell swoop, the spreadsheets should be developed with an eye towards that end result, and the CEC should not be reticent to make the necessary revisions to the forms to accommodate this end goal.

WREGIS Subaccounts

NCPA cautions against the creation of too many and too detailed WREGIS subaccounts to accommodate the various resources that can be used to meet California's RPS obligations. WREGIS is not a compliance tracking system. It was designed to track renewable energy credits that can be traded amongst market participants. Establishing specific subaccounts for each

variation of renewable energy contract that can be used for RPS compliance creates greater room for error and more complex procedures for correcting potential errors. Verifying RPS compliance under SBX1-2 should be done in the forms and spreadsheets provided to the CEC and cross-referencing a number of WREGIS subaccounts in that process creates more administrative costs. NCPA agrees that having a general subaccount for each year and each PCC resource generally would be helpful, but attempting to create more detailed subaccounts is likely to result in greater confusion than facilitation. Furthermore, even with the simplified schedule of subaccounts, errors may occur. Accordingly, it is imperative that the verification procedures developed by the CEC and CPUC incorporate the existing WREGIS process for correcting any inadvertent errors where resources may be retired into the wrong subaccounts.

Retirement of RECs Within 36-Months

Public Utilities Code Section 399.21(a)(6)² requires that all renewable energy credits (RECs) be retired within 36-months of generation. However, this restriction on when a REC must be retired is not synonymous with a restriction on when the REC must be used for compliance purposes. Retiring a REC in the tracking systems means that the certificate may no longer be traded in the marketplace. However, that 36-month restriction does not constrain the holder of the REC at the time it is retired from utilizing the instrument for RPS compliance purposes at that time or in the future, even if it may not be sold or traded to a third party. The discussion during the November 30 Working Group meeting assumed a definition for retirement that is not contained in the legislation itself. Indeed, since the definition of retirement is being addressed in the parallel proceeding at the CEC, and since the final definition will be included in the RPS Regulation that has yet to be finalized, it is imperative that the process to update and refine the RPS Eligibility Guidebook by including the SBX1-2 RPS verification process not presuppose outcomes regarding the final RPS Regulation for POUs.

Verification of PCC1 Resources

The verification process outlined in the Staff presentation for hourly tracking of PCC1 resources that are scheduled into a California Balancing Authority should be reviewed and changed.³ As proposed, the process would impose significant additional costs on retail sellers and POUs in both the need to procure potentially unneeded resources in order to meet constrained hourly schedules for renewables, as well as the employee resources that will be needed to track and chart hourly schedules.

Section 399.16(b)(1)(A) prohibits the use of substitute energy for PCC1, but allows PCC1 categorization if the resource is located outside of a California Balancing Authority and is scheduled into a California Balancing Authority. Section 399.16(b)(1) does not, however, require POUs or retail sellers to track every hourly schedule. Instead, the final schedule should be determined by looking at monthly, balanced schedules, and not be determined on an hour-by-hour

² Unless otherwise noted, all code sections are to the California Public Utilities Code.

³ NCPA notes that several parties addressed this issue in their November 1, 2012 comments following the September 21, 2012 Verification Workshop, and that the concerns raised in those comments have not been fully addressed in Staff's continued proposal for hourly verification.

basis.⁴ Rather than create this undue burden, NCPA believes that the mandates of SBX1-2 are met with verification of the final quantity of energy delivered from the renewable energy resource, perhaps by looking at total monthly deliveries. This is because the amount that is actually delivered is part of the Balancing Authority's overall, balanced schedule, and in no circumstances does it reflect energy that did not originate from the eligible facility. Accordingly, there is no reason to believe that this energy is anything other than renewable energy delivered into California.

Hourly verification of the schedules is not mandated by SBX1-2. It would be unreasonably burdensome to administer, would incent over-procurement and added costs, and would provide no additional value to the verification process.

CONCLUSION

Finalizing a process to verify the RPS mandates set forth in SB X1-2 is an important element in the entire RPS procurement process. However, it is not the only element, and all aspects of the verification process must be implemented in a way that preserves both the restrictions and flexibility contained in SBX1-2. Accordingly, this process should be further refined and amended – as necessary – to take into account real-world operational constraints and limitations associated with the purchase and delivery of renewable electricity, as well as the administrative implications involved in implementing the proposed processes. NCPA looks forward to continuing to work with the CEC and CPUC as the SBX1-2 verification processes are further developed and finalized.



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⁴ Some parties have advocated for verification to be confirmed through the use of NERC e-Tags; NCPA cautions that while e-Tags may be reliable for some resources, that this not the case for all resources and NCPA opposes the use of NERC e-Tags as the sole source of verification.