

The issues list below is categorized by general issues and issues relevant to the five statutory considerations listed in HB 4126 Section 3(3). Within each category of issues, there may be specific questions related to VRET Models discussed during UM 1690 workshops. Please refer to the VRET Models Summary Table for a description of each Model.

I. How should a Voluntary Renewable Energy Tariff (VRET) be defined and designed? *(context/general issues)*

1. What are the essential features of such a tariff (e.g. ability to purchase power at a long term, fixed rate)? If the Commission were to allow VRETs, would more than one type of VRET design help to satisfy diverse customer demands?
2. Should a regulated utility continue to plan for VRET load through integrated resource planning? Should VRET customers be included in a regulated utility's total retail sales?
 - a) Should VRETs be considered for all non-residential customers or only a subset of non-residential customers (e.g. only large customers)? *It may be appropriate to limit VRET to the same demand threshold that is included in law for direct access – 30 kw demand. Residential and small commercial customers remain eligible for existing voluntary green products (e.g., Blue Sky) that do not have the delivery and accounting requirements that should be part of a VRET.*
 - b) Should there be a cap on the amount of load that can be served under a VRET to protect against risk of large amounts of load leaving the existing cost-of-service system (e.g. the 300 average MW cap for direct access in PGE's 400 series cost-of-service opt-out schedules)? *Neither direct access nor VRET should be subject to caps. Customers willing to pay a transition charge to change the provision of electricity should not be constrained from doing so. In order to keep the playing field level, there should be symmetry between VRET and direct access, if VRET is adopted. In this context, there should be no transition charge for new loads in either program but, to the extent there continues to be a transition charge for new loads under direct access a similar charge should be adopted in the VRET.*
3. What portion of a customer's load should a VRET be able to serve? All load? Partial load? Service at a given Point of Delivery (POD)? Should VRET customers be able to aggregate multiple sites/PODs? *To the extent a VRET is adopted, it should offer flexibility in terms of both load share and third-party aggregation like that which is available for direct access, in order to make the product available to a greater range of customers than a full-load requirement.*
4. Should VRET load be met with multiple renewable resources that are aggregated? If so, how should the regulated utility disclose the renewable resources provided as an aggregated product? *Aggregation of multiple resources should be permitted, particularly to make the provision of a high level of bundled renewable energy and RECs more efficient and cost-effective. Public disclosure of resources should be required in the provision of VRET information that is incorporated in utilities' fuel-mix disclosure requirement. Disclosure to VRET customers and the Commission to ensure a renewable product is, in fact, served should be enabled through the provision of delivery schedules (for bundled and firm-and-shaped products) and REC retirement information (through WREGIS). See also answers to Question VI.(1).*
5. Given the variability of renewable energy generation, what services should be included in a VRET to enable delivery of renewable energy (e.g. back-up/supplemental services or firming/shaping)? *The requirements for delivery (including ancillary services) should be the same as the requirements for direct access service.*
6. For comparison, with regard to **existing Direct Access** as summarized in the **VRET Models Table**:
 - a) Are there service requirements (e.g. transition charges, enrollment windows, etc.) applicable to direct access that should not be required in provision of service under a VRET? If so, what is the rationale for differentiating between direct access requirements and VRET requirements? *No. In order to ensure standard regulated service customers do not cross-subsidize VRET customers, the provision of electricity products different from standard regulated service should not be different between direct access and VRET.*
 - b) What "green energy" options do Energy Service Suppliers (ESS) currently offer in utility service territories under direct access? *Iberdrola Renewables is a registered ESS providing a renewable product in*

Implementation of HB 4126 – Voluntary Renewable Energy Tariffs (VRETs)

REVISED by PUC Staff after 8/29/2014 Comments

11/07/2014 Issues List

Pacific Power service territory. Consistent with retail customer choice, there is a wide range of renewable products and services available under direct access today – customers and ESSs are able to customize their products and services to meet their green energy preferences. The most significant impediment to providing those products is not the products themselves but the implementation rules for the utilities' direct access programs.

- c) Are there new or additional ESS offerings that regulated utilities can enable through direct access that will meet the requirements of direct access laws and improve customer access to the kinds of “green energy” products that they are seeking? *To the extent “green energy” options via direct access are constrained, the limits are due to the overall structure of the direct access rules and not the “green” nature of the product. An examination of the barriers to the provision of direct access service under the regulations and implementation plans is warranted, without respect to specific products, green or otherwise.*

II. Whether Further Development of Significant Renewable Energy Resources is Promoted? *(issues related to HB 4126 Section 3(3)(a))*

1. Should VRET renewable resources be defined to include the same types of renewable energy resources as the Renewable Portfolio Standard (RPS) (e.g. solar power, wind power, but only certain types of hydroelectric power)? Should “further development of significant renewable energy resources” include buying the direct output and/or bundled Renewable Energy Certificates (RECs) from a *new* renewable resource power plant? From an *existing* plant? How should “new” and “existing” plants be defined? Should there be a limit on how old the plant is? (e.g. recently constructed or constructed since a selected year)? *To the extent a VRET is adopted, eligibility for service should parallel the definitions in the RPS law with respect to qualifying resources, with the possible exception of project vintage. To incent new development or direct existing resources that have yet to serve Oregon customers to those customers, RPS-eligible generation resources not yet under construction, not planned to serve utilities' native load, or not having heretofore served Oregon utilities' native load should be eligible for VRET. The bundled/unbundled REC requirements and limits should generally reflect the RPS law as well, though it may be appropriate to offer some additional flexibility depending on how the tariff addresses minimum renewable energy requirements (see Question II.(3) and full/partial load (see Question I.(3)).*
2. In order to be considered “further development of significant renewable energy resources,” should there be geographic limits on the source of eligible renewable energy (e.g. Oregon or the Northwest)? *Similarly, any limits on the source of eligible renewable energy should reflect the RPS requirements, which is a sensible policy that represents a reasonable compromise agreed to by a broad range of stakeholders.*
3. Given that the RPS is a minimum threshold for utilities in the existing cost-of-service rate based system, what should be the minimum renewable energy required in a VRET product (not including non-renewable resources that may be needed for back-up/supplemental service or firming/shaping)? *The answer to this question depends in part on how Questions I.(3) and II.(1) are answered. If a customer has the option to meet partial load requirement under the VRET, then the requirement should be the difference between existing service (i.e., the RPS threshold at the time) and 100 percent of the load to be served under the VRET.*

To address variable generation, the VRET should allow a share of energy over a period of time (for example, on an annual basis) to be provided through firming and shaping services. A combination of real-time deliveries, provision of firmed-and-shaped energy (with RECs), and limited use of unbundled RECs may appropriately balance multiple concerns such as promoting the development of new resources, providing a strong renewable product, and maintaining grid reliability.

Overall, there should be a material minimum threshold – perhaps 60 percent of load served by eligible renewables (combined RPS and VRET) escalating as the RPS minimum escalates – to enable customers to claim higher-than-required renewable service. To provide transparency to the public, the overall renewables threshold should be the minimum share to enable an

Implementation of HB 4126 – Voluntary Renewable Energy Tariffs (VRETs)

REVISED by PUC Staff after 8/29/2014 Comments

11/07/2014 Issues List

electric customer to make a “green” claim, and the claim should reflect the renewables percentage actually being procured. Further, this information should be disclosed in a transparent manner in the utilities’ required fuel-mix report.

4. Of **all the models** in the **VRET Models Table**, which model is most likely to promote “further development of significant renewable energy resources”? *Model 1.c/d is a very favorable model, though any new development would be highly dependent on the terms and conditions of the VRET. In addition, model 4.a holds promise for the development of significant renewable energy resources. The other models are substantially less promising in the potential to achieve the goal of furthering development of significant renewable energy resources.*

III. What may be the Effect on Development of a Competitive Retail Market? (HB 4126 Section 3(3)(b))

1. How should a VRET’s effect on competitive suppliers and the direct access market be assessed? *Lacking empirical information on which to base an assessment, the Commission must rely on logic. It should consider that a competitive retail market in Oregon is already limited by a) program caps imposed by regulation, and b) significant transition charges and other impediments. In this context, a new tariff to increase the opportunities for incumbent utilities to serve commercial and industrial customers (for which direct access is an option) can only serve to limit further the development of a competitive retail market.*
2. Is the competitive retail market harmed if a regulated utility is able to make offerings under a VRET to non-residential customers that a third party competitive supplier is not permitted to provide under the terms of current direct access tariffs (e.g. enrollment windows and transition adjustments)? If so, how? *Yes, the retail market is harmed by providing customers alternative products through the utilities that ESSs are not able to provide under direct access. Iberdrola Renewables’ experience as an ESS has led to the conclusion that, while customers want more renewables and renewable resources are available to serve them, the limited enrollment windows, transition charges, and other impediments make the direct access very difficult. A VRET without those limitations would further hamstring ESSs in a discriminatory fashion.*
3. With respect to **Model 1(b/x) [third party owned resource & regulated utility facilitated]** and **Model 1 (c/d) [third party owned resource with aggregation]**:
 - a) What are the effects, if any, on the competitive retail market if Independent Power Producers (IPPs) supply power through the regulated utility as part of VRET design in these models? *Similar to the prior question, the competitive retail market is harmed by providing customers alternative products through the utilities that ESSs are not able to provide under direct access. Iberdrola Renewables’ experience as an ESS has led to the conclusion that, while customers want more renewables and renewable resources are available to serve them, the limited enrollment windows, transition charges, and other impediments make the direct access very difficult. A VRET without those limitations would further hamstring ESSs in a discriminatory fashion.*
 - b) What should the role of the regulated utility be in developing and offering a product or transacting between customers and an IPP under these VRET models? *At a high level, the role of the regulated utility for both Model 1 options is fairly described in the “Relationships” column of the VRET Model Summary Table.*
 - c) Would these VRET models comport with the requirements of a filed tariff (e.g. must list prices and be accessible to all similarly situated customers [see HB 4126 Section 3(4) and ORS 757.205, 757.210, 757.212, 757.215])? Can these models be implemented such that an IPP is not required to provide confidential pricing data to a regulated utility (e.g. non-disclosure agreements)? *With respect to the first question, the tariff may face some challenges in being broadly applicable, particularly if a green-energy provider achieves an agreement to serve a specific customer. The second element of this question points to the complications that may arise when an affiliate of a regulated utility competes with an IPP to provide electricity under the VRET. The utility’s billing and accounting processes would need to build significant safeguards to maintain confidentiality across the business with respect to price. More fundamentally, any procurement process must maintain price confidentiality when the utility or an affiliate may be a bidder the IPP is the bidder; if a variety of VRET models including 1 c/d and 2 are offered – simultaneously or over*

Implementation of HB 4126 – Voluntary Renewable Energy Tariffs (VRETs)

REVISED by PUC Staff after 8/29/2014 Comments

11/07/2014 Issues List

time – cost information would be required to conduct competitive procurements under model 1 c/d, which information may be used by the utility to offer a better price under model 2.

4. With respect to **Model 1(c/d) [third party owned resource with aggregation]** and **Model 2(c/d) [regulated utility owned resource with aggregation]**, if aggregation is allowed, should a regulated utility be prohibited from acting as an aggregator such that the VRET would only permit aggregation by registered aggregators (see OAR 860-038-0380)? *Yes.*
5. With respect to **Model 2 [regulated utility owned resource]** and **Model 2(c/d) [regulated utility owned resource with aggregation]**, what are the effects, if any, on the competitive retail market if a regulated utility owns or operates resources as part of VRET design in these models? *See answers to Questions III.(1) and III.(2).*
6. With respect to **Model 4(a/X) [customer owned resource]**:
 - a) What are the effects, if any, on the competitive retail market if a customer owns or operates resources as part of VRET design in this model? *Customer-owned or operated resources serving their loads are, in fact, a type of retail competitor.*
 - b) Can this model already occur through Partial Requirements tariffs (e.g. PGE schedules 75, 76R, 575 or PacificPower schedules 47, 247, 747)? If not, how is it differentiated from partial requirements service?
 - c) Would this VRET model comport with the requirements of a filed tariff (e.g. must list a price and must be accessible to all similarly situated customers [see HB 4126 Section 3(4) and ORS 757.205, 757.210, 757.212, 757.215])?
 - d) If a customer owned renewable resource is off-site, should it be treated as a third party supplier (e.g. similar to the IPPs role in **Model 1(b/x) [third party owned resource & regulated utility facilitated]**)? If not, why? May a customer that generates more power at an off-site resource than needed at a given time sell the excess power to other customers? *With respect to the second part of the question, our first reaction is the customer should at least have the ability to deploy a third party to sell excess power to other customers. It is an area that likely would require further consideration should the Commission choose to proceed further on this matter.*
 - e) Should on-site resources be limited to the Net Metering program? Does inclusion as a net metered resource depend on if any excess energy generation is anticipated? If a customer owned resource is on-site, but is permitted to be operated and managed by the regulated utility or IPP as a service provided through a VRET, should it be distinguished from the Net Metering program?

IV. What may be the Direct or Indirect Impacts on Non-Participating Customers *(issues related to HB 4126 Section 3(3)(c))*

1. What regulatory tools or VRET design elements (e.g. transition charges for customers that leave the cost-of-service system) would ensure that the prices paid for products under a VRET reflect all costs associated with providing that service, including any requisite back-up/supplementary service (e.g. firming/shaping), without subsidization from non-participating customers? *The program should be equivalent to direct access on these matters.*
2. What regulatory tools or VRET design elements would ensure that non-participating customers do not face increased risk of VRET obligations (e.g. costs of under-subscribed VRET resources or unfulfilled power purchase agreement obligations)?
3. How should the fixed costs of the existing cost-of-service rate based system be allocated to VRET participants that completely or partially leave the cost-of-service rate based system? *Transition charges for VRET load should be imposed like those for direct access service irrespective of the share of load served under VRET. Clearly, these policies under direct access need review, but to keep a level playing field between VRET service and ESS obligations under direct access, the costs assumed with leaving traditional regulated service should be consistent.*

Implementation of HB 4126 – Voluntary Renewable Energy Tariffs (VRETs)

REVISED by PUC Staff after 8/29/2014 Comments

11/07/2014 Issues List

4. Assuming that VRET load is part of “total retail electric sales,” what would be the impact to RPS resource cost recovery and compliance requirements if a significant amount of VRET load leaves the cost-of-service rate-based system? Would VRET customers continue to pay for RPS compliance requirements (e.g. their share of rate-based RPS renewable resources and RAC filings)? *The examples cited in our response to Question II.(3) assume utility provision of RPS resources is not affected, and that VRET service is offered to fill some or all the gap between RPS energy in traditional regulated service and full “green energy” requirements.*
5. With respect to **Model 2 [regulated utility owned resource]** and **Model 2(c/d) [regulated utility owned resource with aggregation]**, should the regulated utility have a separate set of resources used for VRET customers in a “VRET rate base” for which the costs and rate of return are regulated by the PUC? How should the regulated utility account for separate capital investments and costs of capital related to a VRET? *Yes, VRET resources should be isolated from the remainder of the utility’s supply portfolio for purposes of determining revenue requirement, power costs, rate base, etc. To prevent customer cross-subsidization of VRET resources and services, utility investment in resources for VRET service must be financed and accounted for based on the VRET customer base and level of service only. In addition, the range of other costs incurred by the utility to serve a customer under VRET including customer relationship services and marketing, billing, etc. should be accounted for separately and recovered solely through the VRET.*
6. With respect to **Model 2(c/d) [regulated utility owned resource with aggregation]** and **Model 1(c/d) [third party owned resource with aggregation]**, if the regulated utility is allowed to aggregate retail load through a VRET, how should the regulated utility manage the risk and timing of the matched VRET load and/or the obligations to the aggregated RE generators? *As with many of the other questions in this inquiry, the utility should manage VRET load and resource matching in the same manner and degree as an ESS manages loads and resources for a direct access customer. This may mean it does not manage that match. This question is an excellent illustration of why utilities should not play the aggregator role.*

V. Whether VRETs should rely on a Competitive Procurement Process? (issues related to HB 4126 Section 3(3)(d))

1. Should the Commission limit VRET resource eligibility to renewable energy developed and supplied through a competitive procurement process? With an independent evaluator? If yes, why? If no, how should the Commission evaluate renewable energy not supplied through a competitive process? *It depends on the model adopted. Except for the models 2 and 2c/d, there should be flexibility in allowing bilaterally-arranged transactions to qualify.*
2. Should the PUC’s existing processes for competitive bidding (currently for “major resources” defined as quantities greater than 100 MW and duration greater than five years [UM 1182, Order Nos. 12-007 and 11-340]) be adapted for use with VRET resources and, if so, how should it be changed? *Perhaps, depending on the model adopted.*
3. With respect to **Model 2 [regulated utility owned resource]** and **Model 4(a/x) [customer owned resource]**, is there any room for a competitive procurement process in these models? *Under model 2, there certainly should be room for a competitive process, even if the utility ultimately owns the resource, as the process likely would deliver better results for the customer. For a customer-owned resource (Model 4 a/x), that choice should be left to the customer.*
4. With respect to **Model 2(c/d) [regulated utility owned resource with aggregation]**, what regulatory tools or VRET design elements would ensure that a regulated utility-owned resource fairly competes in a competitive procurement process? *It is not clear if any design elements would meet this goal, which is why the other models provide far better approaches for a tariff that meets the criteria outlined in the statute.*

VI. Other considerations (issues related to HB 4126 Section 3(3)(e))

Implementation of HB 4126 – Voluntary Renewable Energy Tariffs (VRETs)

REVISED by PUC Staff after 8/29/2014 Comments

11/07/2014 Issues List

1. What customer protections may be appropriate for VRET resources (e.g. Green-E certification? Commission or advisory group oversight)? For which customer classes or subsets of classes? *A range of protections should be attached to a VRET for service to any VRET customer, beginning with setting a minimum eligible renewable energy requirement (see response to Question II.(3)), public disclosure of RPS/VRET service to customers that supplements current utility fuel-mix disclosure requirements, and registration/tracking/retirement of RECs in WREGIS. The first requirement would be set in the tariff, while the second and third requirements would fall on the utility providing service under the VRET. The utility would be accountable for compliance with the fuel-mix disclosure requirements and REC accounting. Customer representations of “green energy” that may be made in different forums should be consistent with the disclosures made by the serving utility.*
2. How will resources developed for a VRET, for which environmental attributes will be claimed by customers, be represented in power mix disclosures (e.g. regulated utility disclosures pursuant to OAR 860-038-0300)? Assuming that a VRET could be used for partial loads with continued use of the existing cost-of-service rate based system, how would such a customer claim its renewable resource use (e.g. claim a portion of the RPS in its “green” marketing)? *See response to Question VI.(1).*
3. What other factors, if any, should the Commission consider in determining whether and how utilities should offer VRETs to non-residential customers?