

To: Oregon Public Utility Commission
Ruchi Sadhir, Senior Policy Advisor
via email to: PUC.hearings@state.or.us

From: Brian Skeahan, Technical Advisor
Community Renewable Energy Association

Re: Request for Comments on VRET Structure

Date: July 25, 2014

On behalf of the Community Renewable Energy Association I would like to thank you for conducting the earlier workshops and providing this opportunity to provide comment on the staff's Framework for VRET Models Table.

It is clear that a considerable amount of staff thought has gone into the Framework to identify a variety of approaches to a VRET and how these approaches comply with the legislative consideration directives received. We believe the Framework has done a good job of exploring a host of alternatives and reflects something of a brainstorming exercise led by staff, the results of which are now being sent out for comment.

CREA is a member of Renewables Northwest, participated in the writing of those comments and is generally supportive of the comments RNW is submitting. We believe that they comments do a good job of responding to the specific questions staff has posed in the Framework. CREA especially is supportive of their 1.x and 4.x alternatives. The comments below should be considered supplemental to CREA's support of the RNW comments and reflective of CREA's individual perspective on VRET fundamentals.

While valuable CREA is concerned that, by identifying these myriad of approaches, the VRET not be put on a path that results in a level of complication that discourages rather than encourages retail customer interest in expanded utilization of renewable energy. CREA believes that the primary consideration in a VRET is to increase the use of renewable energy in Oregon through a customer initiated approach. While complimentary to both existing net metering and direct access policies, a VRET should fill gaps identified in these two existing policies, which, in combination give customers expanded choice in a manner that provide clear and understandable distinctions and choices between the three approaches.

CREA is aware of and understands concerns regarding cost shifts between VRET participating and non-participating IOU customers while also recognizing the IOUs desire to directly offer new renewables to customers. CREA is also aware and supportive of concerns regarding an outcome which creates an unfair advantage of IOUs over customer owned or third party alternatives. Staff clearly is aware that these desires creates conflicting demands on the VRET the solutions to which have the potential to create more complicated structures.

CREA believes that first and foremost that a VRET must include both customer owned and third party provided resource alternatives. The majority of concerns various parties have with IOU ownership of renewable resources simply go away with customer owned or third party owned alternatives. In their comments at the second workshop retail customers clearly identified their desire to have the ability to choose renewable resources and negotiate stable pricing for those resources. Conspicuously absent from those comments was a clear articulation of a desire to primarily procure those resources from an incumbent utility.

Staff's option #1.a, 6 and RNW option 1.x identifies the off-site third party offsite ownership options which appear most feasible. Under these approaches the business relationship regarding the generation itself is between the customer and the resource owner, with the IOU providing distribution of the power and the ancillary / integration services required to match the generation to load necessary to ensure reliability for the customer. These approaches should be distinct from direct access in allowing only a portion of the customers load to be served. The customer would be billed by the IOU for the energy provided by the IOU provided generation (if any) and distribution and ancillary services provided under regulated rates, and separately billed by the third party renewable resource provider for energy and demand provided by the contracted resource. Refinement of these approaches should be able to produce a workable non IOU third party option.

Option #4, and RNW #4.x contemplates customer owned on-site resources. Customers should have a VRET alternative for such resources that are larger than net metered resources but do not meet the criteria under current direct access. Under this category, ownership may be a less important a consideration than the on-site location of the resource. The retail customer may or may not own the on-site resource for a variety of reasons. Being on site the distribution needs of and costs to the customer are different than third party off site resources as may be the need for ancillary services. Customers with on-site resources should only pay an IOU for services required by the customer under regulated rates.

As noted above CREA strongly supports both third party and customer owned on and off site alternatives. We recognize that the IOUs initiated this VRET discussion in the last legislative session and as such believe that the process may result in an IOU resource provided option. However with that comes considerable concerns that the IOUs and OPUC must address before CREA believes that an IOU option should move forward. The first of these is the potential for cost shifts. This could come from a variety of events but fundamentally it seems to primarily derive from the IOU taking on the financial obligations of a resource and then the load and associated revenue to support that resource disappears. The second concern regarding an IOU option is where such an option provides an unfair advantage over third party providers. CREA believes that State policy encourages the development of an economically viable third party energy generation business and further believes that this ultimately benefits retail consumers.

The solutions to these are problematic, particularly if it is acknowledged that, while under today's market the cost of a new renewable may be above short term market price, over the life of a stranded resource this situation may change. While CREA is not in these comments portraying these problems with IOU supplied generation to be unsolvable, we believe it is incumbent upon the IOUs to put forth proposals that sufficiently address legitimate stakeholder concerns.

Finally CREA is not inclined to support REC only options at this time. Current Oregon policies and customer options for the purchase and use of RECs are relatively broad already. As noted above the purpose of the VRET should primarily be to expand the use of new renewable energy. Allowing further use of RECs does not advance the current development of new renewables and the economic benefits such development brings to the State and its communities.

CREA again thanks staff for the opportunity to comment on the Framework and looks forward to further participation in this process.