December 8, 2014

Oregon Public Utility Commission
3930 Fairview Industrial DR SE
Salem, OR 97308

RE: UM 1690, VRET, ODOE's Comments on Staff Models and Issues List

The Oregon Department of Energy (ODOE) commends the time that Staff has dedicated to ensuring the study under UM 1690 is designed with a common understanding of the possible different voluntary designs.

ODOE appreciates the opportunity to comment on the Revised Draft Issues List and VRET Models Table and provides the following answers to questions from the issues list.

These comments respectfully submitted December 5, 2014, by:

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Implementation of HB 4126 – Voluntary Renewable Energy Tariffs (VRETs)
REVISED by PUC Staff after 8/29/2014 Comments
11/07/2014 Issues List

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?

ODOE RESPONSE: At this time, ODOE has no recommendations for the essential features of a VRET. However, for the purpose of the study, the Commission should explore how multiple VRET types might interact within the market. Additionally, it would be informative for the study to explore whether or not multiple designs of a VRET could be offered by the VRET provider and what interaction may occur.

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?

ODOE RESPONSE: IRP load forecasts should include consideration of VRET programs. If under the VRET model the customer's load is no longer part of the utility's load, the IRP should include within its risk analysis the possibility of the load returning to the utility. All of the models being considered would affect either the utility's load forecast or its resource needs. Electricity purchased by a VRET customer from a regulated utility is a retail sale and should be included in the 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)?

ODOE RESPONSE: The Commission should not limit eligibility and should allow enrollment by all non-residential customers. There is clear, demonstrated interest from small commercial customers who have strong participation in the existing voluntary programs. Expanding the program to all non-residential customers would allow the program to benefit from economies of scale.

   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)?

ODOE RESPONSE: None

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?

ODOE RESPONSE: VRET customers should be able to serve up to 100 percent of their load with VRET power. A key issue will be how to consider fossil fuel resources that are used to shape or firm power from variable renewable generation. Given this consideration, even if the VRET product is intended to comprise 100 percent bundled RECs, it may or may not be possible for VRET customers to claim to 100 percent renewable power.

VRET customers should be able to aggregate multiple sites/PODs. The VRET is a customer-driven product that should be designed in a manner that will encourage market uptake. Some customers seeking a VRET product have indicated aggregation of multiple sites as an important product feature and will increase ease in enrollment for their organization. The benefit of aggregating multiple sites will be higher subscription rates for the VRET provider. The administrative costs of the aggregation should be recovered from VRET customers.

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?

ODOE RESPONSE: Resource aggregation should be provided if customers indicate an aggregated resource mix is desired. It seems possible the VRET could be offered in two configurations to customers. The first would be a product that is readily designed by the utility with a specified resource mix similar to the existing unbundled, voluntary products offered by the utilities. Under this tariff structure, the resource content of the tariff could be included in the resource content label provided by the utilities under OAR 860-038-0300. The second is a specialized product to meet the goals of the customer (e.g. resource specific, distributed generation, community-based renewables, etc.) which fits into the broader framework (see Response II. 1, 2, and 3). Under these circumstances, the VRET provider could market this option to customers as a possible VRET configuration and it would be up to the customer to disclose the renewable resources provided through its marketing materials.

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)?

ODOE RESPONSE: None

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?
    b) What "green energy" options do Energy Service Suppliers (ESS) currently offer in utility service territories under direct access?
    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?

ODOE RESPONSE: None

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)?

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)?
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)?

ODOE COMBINED RESPONSE TO Question II 1, 2, and 3: The Commission does not need to decide resource eligibility requirements in order to study VRET models. However, we note that the RPS, as a mandatory program, is meant to set a regulatory floor. In terms of resource eligibility requirements, the VRET should not be less restrictive than the RPS. We recommend against the Commission creating or evaluating a new resource eligibility standard here, although we acknowledge that there must be some framework. *See response to Question VI. 1. below.*

The greatest driver for resource content should ultimately be customer interests. The VRET, as a voluntary option, will need to entice customers to subscribe. As we know from the current voluntary programs, customers are more interested in supporting local projects with a community story. Under current voluntary programs customers prefer wind and solar resources.

Any framework for VRET eligible resources should be designed with customer interests at the core. The VRET should be a 100 percent renewable energy product, rather than an arbitrary percentage. Customer messages should remain simple. If it is ultimately found that a VRET product cannot be crafted at a cost that will satisfy customers, then there can be further consideration of a partial product at that time.

4. Of **all the models** in the **VRET Models Table**, which model is most likely to promote "further development of significant renewable energy resources"?

ODOE RESPONSE: None

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?

ODOE RESPONSE: None

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?

ODOE RESPONSE: None

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?
   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?
   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)?

ODOE RESPONSE: None

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)?

ODOE RESPONSE: None

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?

ODOE RESPONSE: None

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?
   b) Can this model already occur through Partial Requirements tariffs (e.g. PGE schedules 75, 76R, 575 or Pacific Power 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?
   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?

ODOE RESPONSE TO ALL OF III. 6: In the future, customers with specific renewable energy goals may increasingly choose to build and own new generating resources that meet their specific goals.

Today the customer may build an off-site resource and enter into a power purchase agreement with the utility as a qualifying facility and retain the unbundled RECs generated by the resource. A VRET option, however, could provide the customer bundled RECs from the customer's off-site resource. If a customer-owned resource is off-site, the operator of the resource (possibly the customer itself) should be treated as a third party supplier, similar to the IPP role in Model 1(b/x). As an alternative to a VRET, the customer may also have the option (today) to contract with an ESS to acquire energy from the customer's off-site resource and deliver that energy (bundled with RECs) back to the customer through direct access.

If a customer-owned resource is on-site, the customer may currently enter into either a net metering interconnection or a partial requirements tariff and receive both the energy and RECs generated by the resource -- although depending on the time of generation relative to the time of use, some RECs may become unbundled. These existing options are likely to satisfy most customer's needs, but a VRET option could be made available as an alternative way to receive bundled RECs from a customer-owned on-site resource. Such a VRET offering should be completely distinct from net metering.

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?

ODOE RESPONSE: None

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)?

ODOE RESPONSE: None

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?

ODOE RESPONSE: None

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)?

ODOE RESPONSE: For VRET customers, RPS compliance requirements and resource cost recovery should follow the methodology currently used for the other voluntary programs where the cost of RPS compliance is included in the tariff. Under ORS 469A.052, RPS compliance requirements are calculated as a function of the utility's retail load meaning no resources are exempt from inclusion of the RPS compliance obligation. Purchases made under the VRET would continue to be retail sales made by the utility and therefore have an RPS compliance requirement. This compliance requirement mimics the current requirements placed on the Electricity Service Suppliers. The VRET should reflect these standards.

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?

ODOE RESPONSE: None

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?

ODOE RESPONSE: None

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 evaluater? If yes, why? If no, how should the Commission evaluate renewable energy not supplied through a competitive process?

ODOE RESPONSE: None

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?

ODOE RESPONSE: None

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?

ODOE RESPONSE: None

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?

ODOE RESPONSE: None

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

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?

ODOE RESPONSE: As noted above, it will be important for VRETs to have a framework that ensures that these products have adequate oversight and conform to renewable energy and environmental attribute

markets. Green-e is probably the most appropriate existing model for customer communication and resource eligibility. Certification would ensure that the programs meet national standards and evolve over time, allowing growth outside of a strict statutory environment. Both PacifiCorp's and PGE's voluntary programs are Green-e certified.

Given the complexities of the mandatory and voluntary market interactions under current frameworks, the Department discourages creating yet another public-facing resource framework for delivering renewable energy to Oregonians.

It is appropriate for the study to consider how the Commission currently oversees RPS compliance and voluntary programs and determine whether those tools – reconciliation reports, compliance reports, and an advisory committee – are suitable for the VRET. Administrative simplicity for the utilities should be a significant factor in this determination.

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)?

ODOE RESPONSE: Environmental attributes should be claimed solely by VRET customers through the individual customers' marketing materials or other communication channel. If one product is designed for all VRET customers, the resource mix associated with the VRET could be included under OAR 860-038-0300. Including it in the retail label would allow customers an opportunity to compare what resources they are receiving to the base utility mix. If a specialized product is created for individual customers including the resource mix associated with the VRET product would prove more difficult.

3. What other factors, if any, should the Commission consider in determining whether and how utilities should offer VRETs to non-residential customers?

ODOE RESPONSE: None