

UM 1690 Workshop 3

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IMPLEMENTATION OF HB 4126 – VOLUNTARY RENEWABLE ENERGY TARIFFS (VRETS)

AUGUST 12, 2014

REMINDER – PLEASE ADD YOUR NAME TO THE SIGN IN SHEET.

1. Welcome & Introductions

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- **Welcome and thank you for your participation**
- **Reminders:**
 - Sign In - Please add your name & contact information to the sign-in sheet.
 - Phone Participants Sign in – please email your name and contact information to ruchi.sadhir@state.or.us to “sign-in” electronically.
 - Microphone Use – please speak into the microphone (5 inches away) for the benefit of phone participants.
 - Notice List – Sign up for the UM 1690 notice list by emailing a request to puc.hearings@state.or.us (include UM 1690 in subject line).

1. Welcome & Introductions

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Agenda

1:00-1:10	1. Welcome, Reminders, and Introductions
1:10-1:30	2. Pared Down VRET Table – Short Staff Presentation
1:30-2:30	3. Round Robin: feedback on pared down VRET Table
2:30-3:30	4. Revisions to Draft Issue List
3:30-4:00	5. Next Steps

1. Welcome & Introductions

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UM 1690 Proposed Process to Implement HB 4126

- **Phase 1** – Statutorily required phase intended to be educational by conducting a study to consider the impact of allowing electric companies to offer voluntary renewable energy tariffs (VRETs).
- **Phase 2** – ALJ assigned and may hold Pre-Hearing Conference (if needed). This phase provides an opportunity for parties to advocate for specific VRET designs and conditions. The result of this phase will likely be a Commission Order that either (1) Does not allow this type of tariff or (2) Allows this type of tariff with specific conditions (or may direct a rulemaking, if the Commission finds it appropriate).
- **Phase 3** – If allowed in Phase 2, companies may file schedules with Commission. Staff anticipates use of PUC's regular processes to consider any schedules.

1. Welcome & Introductions

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Recap of Workshops in Phase 1 – UM 1690 Proposed Process to Implement HB 4126

- **Phase 1** – Statutorily required phase intended to be educational by conducting a study to consider the impact of allowing electric companies to offer voluntary renewable energy tariffs (VRETs).
 - **Workshop 1 (June 2, 2014)** – Purpose was to discuss Staff’s proposed process to implement HB 4126 and initial issue list.
 - **Workshop 2 (June 23, 2014)** – Purpose was to hear from two panels about need for a VRET and consider “Statements of Principles” that informed Staff’s organization of Study Phase around VRET Models Table.

1. Welcome & Introductions

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Purpose of Today's Workshop

- **Reach common understanding of process moving forward,**
- **Finalize common understanding of each model in the VRET Models Table,**
- **Consider simplification of the VRET Models Table,**
- **Discuss questions contained in the revised draft issues list.**

1. Welcome & Introductions

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Revised Process and Target Dates – Based on feedback from workshops, Staff has revised the proposed process for Phase 1 and associated target dates:

- (target) Late August– Comments to suggest edits to questions in draft Issues List and (if needed) additional comment on models in VRET Models Table
- (target/ **if needed**) September – Workshop 4 to clarify and resolve outstanding concerns in Issues List.
- (target) September or October–
 - Staff refines Issues List and VRET Models Table
 - Public Comment – Answering questions in Issues List and completing pink (statutory considerations) & green (conditions) columns in VRET Models Table
 - Public Comment – Reply comments on answers to questions in Issues List and VRET Models Table
- (target) October or November – Staff memo on Study
- (target) November or December – written public comment and HB 4126/VRET agenda item for Regular Public meeting. Close Phase 1.

2. Revised Pared Down VRET Models Table

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- **Goal** – Simplify VRET Models Tables to pare down the number of VRET models to evaluate through HB 4126 statutory considerations to:
 1. Determine pros/cons in statutory considerations,
 2. Identify issues in statutory considerations, and
 3. Identify potential conditions that mitigate issues.
- **Further Study** – VRET models that meet the following three guidelines to be evaluated through HB 4126 statutory considerations:
 1. New / Not currently available,
 2. Not duplicative of another model, and
 3. Likely to occur.

2. Revised Pared Down VRET Models Table

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- **VRET Models for Further Study**
 - Overall, purpose in paring down VRET Models Table according to **basic structure** is to balance range of VRET basic structure design/definitions with the numerous Model-specific questions asked through the Issues List.
 - Staff intends for **all models** considered so far to be discussed in the PUC Study, even if not specifically evaluated through HB 4126 statutory considerations.

2. Revised, Pared Down VRET Models Table

Resource Owner	Utility Role	Relationships	Notes/Comments
<p>(1.) Third Party (IPP, ESS)</p>	<p><i>(1.a.) Regulated utility "passes-through" the renewable energy without taking ownership.</i></p>	<p><i>3rd party and customer negotiate contract for renewable energy service. Regulated utility and customer have relationship that may be similar to direct access structure.</i></p>	<p><i>Basic structure already available under existing laws and regulations.</i></p>
	<p>(1.b.) Third party owned renewable resource. Regulated Utility is the middleman between a 3rd party and customer(s) that are contracting for renewable energy.</p>	<p>Regulated utility takes ownership of power through one contract and sells it to customer(s). Customer and 3rd party negotiate for renewable energy service. First contract is between 3rd party and the regulated utility to purchase electricity. Tariff is set for same price and duration as first contract.</p>	<p>This is the model generally described in the Rocky Mountain Power filing in Utah (Docket 14-035-T02), but staff removed the "second contract" language because it may not be legal in Oregon. Instead, staff replaced "second contract" with tariff.</p>
	<p>(1.c/d) Third party owned renewable resource. Regulated utility matches aggregate VRET load with aggregate VRET RE generators to mitigate issues of timing and risk.</p>	<p>Regulated utility could aggregate customers into "VRET load," put that aggregated load out for bid, and contract with third parties to serve that load. And/or regulated utility could aggregate third party RE generators and purchase output through fixed price, long term contracts; the regulated utility offers that output to the customers through a "subscription" process.</p>	<p>Combined 1(c) and 1(d) to create this row 1(c/d). Issues of timing and risk depending on when and how aggregation occurs.</p>
	<p>(1.x.) Third party owns renewable resource. Regulated Utility takes delivery of energy from renewable energy project(s), credits customer bill for project output (at credit amount TBD - the utility's wholesale avoided cost rather than retail rates), and serves balance of customer's energy/capacity need (if any) at cost of service rates. Utility remains primary point of contact for billing and (by customer choice) load management and ancillary services.</p>	<p>Customer and third party negotiate bilateral contract for energy output and RECs from new renewable energy project(s). Contract terminates if customer defaults.</p>	<p>Staff included this Model at RNW's suggestion. ~Row 1.x is different from 1.a/Direct Access in the following ways: renewable energy only, allows partial load, customer may simplify aggregation for large customers with multiple meters by having utility as single point of contact. ~This is similar to 1.b. but avoids contract price and terms being visible to regulated utility which may also be seeking to serve VRET market. ~The rate credit methodology needs further development; looking to other states would be beneficial. ~Risks are lower because customer, not utility, enters long-term contract.</p>

2. Revised, Pared Down VRET Models Table

Resource Owner	Utility Role	Relationships	Notes/Comments
<p>(2.) Regulated Utility</p>	<p>(2.a.) Regulated utility owns and operates the renewable resource(s) and delivers power to customer.</p>	<p>Regulated utility and customer(s) negotiate long-term contract(s) for non-system renewable energy.</p>	<p>General concerns in comments about ability of regulated utility to prevent cost-shifting and effects on competitive market - which will be explored through consideration of the statutory factors.</p>
	<p>(2.c/d) Regulated utility owns and operates the renewable resource(s), which could be eligible to complete in an RFP for supplying aggregated VRET load (as described in Model 1(c/d).</p>	<p>Same as relationships in the aggregation-related models in 1.c. or 1.d. Regulated utility could aggregate customers into "VRET load," put that aggregated load out for bid, and contract to serve that load. And/or regulated utility could aggregate third party RE generators and purchase output through fixed price, long term contracts; the regulated utility offers that output to the customers through a "subscription" process.</p>	<p>General concerns in comments about ability of regulated utility to prevent cost-shifting and effects on competitive market - which will be explored through consideration of the statutory factors.</p>

2. Revised, Pared Down VRET Models Table

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Resource Owner	Utility Role	Relationships	Notes/Comments
<p>(3.) Utility Affiliate</p>	<p><i>(3.a.) Regulated utility "passes-through" the renewable energy without taking ownership.</i></p>	<p><i>Utility affiliate and customer negotiate contract for renewable energy service. Regulated utility and customer have relationship that may be similar to direct access structure.</i></p>	<p><i>Basic structure already available under existing laws and regulations. Utilities generally commented that they are unlikely to offer a product as an affiliate.</i></p>
	<p><i>(3.b.) Regulated utility is the middleman between a utility affiliate and customer(s) that are contracting for renewable energy. Regulated utility takes ownership of power through one contract and sells it to the customer(s) through a second contract(s).</i></p>	<p><i>Customer and utility affiliate negotiate for renewable energy service. First contract between utility affiliate and the regulated utility to purchase electricity for resale. Second contract(s) between customer(s) and regulated utility for the same price and duration as first contract. The first contract terminates if customer(s) defaults on second contract(s).</i></p>	<p><i>Basic structure already available under existing laws and regulations. Utilities generally commented that they are unlikely to offer a product as an affiliate.</i></p>

2. Revised, Pared Down VRET Models Table

Resource Owner	Utility Role	Relationships	Notes/Comments
(5.) Market-Based (REC Product)	<i>(5.a.) Regulated utility continues to provide energy and services as it does with a cost-of-service customer today.</i>	<i>Customer buys renewable attributes only (unbundled RECs) from the market (marketer website, regulated utility program, etc.). The entity from which the customer buys unbundled RECs retires them on behalf of the customer.</i>	<i>Basic structure already available under existing laws and regulations.</i>
	<i>(5.b.) Regulated utility buys bundled RECs from the market and re-sells them to the customer(s).</i>	<i>Customer buys energy together with renewable attributes (bundled RECs) from regulated utility. Regulated utility retires bundled RECs on behalf of the customer.</i>	<i>Bundled RECs are Power + Renewable Energy Attributes, which may be used as part of other models that offer power and renewable energy attributes as a product.</i>
(6.) 3rd Party (transmission VRET)	<i>Open access, transmission only service by regulated utility</i>	<i>3rd Party and customer contract for energy with a specific threshold of renewable content.</i>	<i>Very similar to Row 1(a), so collapsed with Row 1(a). But Also basic structure is already available under existing laws and regulations.</i>

2. Revised, Pared Down VRET Models Table

Resource Owner	Utility Role	Relationships	Notes/Comments
<p>(7.) Hybrid</p>	<p>Customer or utility owns renewable resource, meeting majority of customer's demand. Utility offers RECs or another renewable resource product to get customer to desired 100% renewable energy.</p>	<p>Regulated utility could be owner and is likely operator of renewable resource, and also provides customer services and offers other products to meet customer's renewable energy goals (which may mitigate risk to customer). Or customer is owner of renewable resource, but purchases from customer services and other products from the regulated utility that meet the customer's renewable energy goals. Or third party is the developer or seller of renewable resource output, and could be the potential seller of RECs or other renewable product to meet customer's renewable energy goals.</p>	<p>Staff included this Model at PGE's suggestion.</p> <p>This model allows for the utility flexibility in adhering to HB 4126's goals, while meeting each customer's particular needs.</p>

3. Round Robin: Feedback on Revised, Pared-down VRET Table

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- Is there a common understanding of the basic structure of each Model?
- Are there Models that should be studied further through the questions in the issues list?
- Are there Models that should not be studied further through the questions in the issues list?

4. Revisions to Draft Issues List

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- After determining the range of VRET Models, we will use questions in Issues List as a tool to evaluate HB 4126 statutory considerations.
- **Today's Objective** is to start discussing whether this is the right set of questions in draft Issues List
 - Staff would like to ensure that we have the right set of questions before asking you all to spend time and effort in answering these questions through a comment and reply-comment period
- Your answers to questions are a tool to determine pros/cons under each statutory consideration, a summary for which will be captured in the pink statutory considerations columns in the VRET Models Table.
- Your comments and reply-comments about this Issues List will provide the bulk of research that informs Staff's study about VRETs.

4. Revisions to Draft Issues List

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- **Staff re-organized questions in draft issues list and added questions based on comments:**
 - Section 1: Questions Relevant to All VRET Models
 - Remaining Sections are specific to each VRET Model
 - Questions in each Section are organized under relevant statutory consideration:
 - II. Whether Further Development of Significant Renewable Energy Resources is Promoted? (HB 4126 Section 3(3)(a))
 - III. What may be the Effect on Development of a Competitive Retail Market? (HB 4126 Section 3(3)(b))
 - IV. What may be the Direct or Indirect Impacts on Non-Participating Customers (HB 4126 Section 3(3)(c))
 - V. Whether VRETs should rely on a Competitive Procurement Process? (HB 4126 Section 3(3)(d))
 - VI. Other considerations (HB 4126 Section 3(3)(e))

5. Next Steps

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- (target) Late August– Comments to suggest edits to questions in draft Issues List and (if needed) additional comment on models in VRET Models Table
 - Staff to send Recap Email to Notice List this week
 - Proposed Due Date for Comments – COB Friday, August 29
- (target/ **if needed**) September – Workshop 4 to clarify and resolve outstanding concerns in Issues List.