


ITEM NO. 1

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: October 7, 2008

REGULAR X CONSENT _____ EFFECTIVE DATE _____ N/A _____

DATE: September 30, 2008

TO: Public Utility Commission

FROM: Lisa Schwartz 

THROUGH: ^{LS} Lee Sparling and ^{EB} Ed Busch

SUBJECT: OREGON PUBLIC UTILITY COMMISSION STAFF: Request to open an investigation into electric companies providing Qualified Reporting Entity services for certification of renewable energy certificates by the Western Renewable Energy Generation Information System.

STAFF RECOMMENDATION:

I recommend the Commission open an investigation into electric companies providing Qualified Reporting Entity services for certification of renewable energy certificates by the Western Renewable Energy Generation Information System. I further recommend the Commission direct each electric company to file in this proceeding, within 30 days of granting staff's motion to open the investigation, draft tariffs with estimated costs for providing such service.

DISCUSSION:

Section 14 of the Oregon Renewable Energy Act, Senate Bill 838 (2007 Session), required the Oregon Department of Energy to establish a system of renewable energy certificates (RECs) that can be used by electric utilities and electricity service suppliers to establish compliance with the Act's Renewable Portfolio Standard (RPS). The department established the Western Renewable Energy Generation Information System (WREGIS) as this system on September 3, 2008. See OAR 330-160-0005 to -0030.

In addition, the Commission requires WREGIS certification of RECs for renewable energy portfolio options. See Regular Agenda Item 2, January 10, 2006, public meeting.

Except for very small generators (360 kilowatts, kW, or less), WREGIS requires a Qualified Reporting Entity (QRE) to upload generating data on a monthly basis.¹ The WREGIS Interface Control Document for QREs states (at 4): "If the Generating Unit currently reports to a Balancing Authority, then this specific Balancing Authority should be the Qualified Reporting Entity for those generating units in WREGIS, as long as the data can be reported on a generating unit basis." In order to maintain the integrity of the data the QRE must have no conflict of interest related to the data or associated RECs. That means the entity must be large enough to have the necessary separation and employees in place.

In addition to electric utilities, the California Independent System Operator (ISO) and Bonneville Power Administration (BPA) are registered QREs. The California ISO and BPA provide QRE service free of charge to any generator within their Balancing Authority areas.

WREGIS does not have the capability to directly acquire generating data from generating units. WREGIS does not charge any fees to QREs.

PacifiCorp and Idaho Power are registered QREs.² They currently provide QRE services – at no charge – for their owned facilities as well as contracted facilities from which they acquire RECs. Other generators, including a large wind developer and small biomass and hydro facilities, have requested QRE service from Oregon electric companies – to date unsuccessfully. Therefore, the RECs from these facilities cannot be WREGIS-certified or qualify for Oregon's RPS or renewable energy portfolio options.

QRE service is a regional issue. A REC produced by a facility in Oregon, for example, may qualify for mandatory or voluntary renewable energy programs in a different state. Further, Oregon is not alone in requiring WREGIS-certified RECs to meet renewable energy standards. Therefore, Oregon generators that cannot obtain QRE service will not qualify for such standards in other states, either. The issue extends beyond the generators to the states implementing those standards and their ratepayers. Even states that do not have an RPS have an interest in resolving QRE service issues if some or all of the renewable energy facilities in their state cannot obtain such service.

WREGIS recently established a QRE Working Group to discuss barriers to electric companies providing QRE service and potential solutions. The group is considering drafting a recommended policy statement for state commissions.

¹ Smaller generators that are not metered by a Balancing Authority may be served by independent entities in tandem with metering services these companies provide.

² Portland General Electric has not registered as a QRE.

In Oregon, staff has discussed QRE service issues with the electric companies informally for some time now. With the first RPS compliance year³ soon approaching, and the ability to bank RECs produced as of January 1, 2007,⁴ staff recommends the Commission settle these issues as quickly as possible. To do so, staff recommends the Commission direct each electric company to file in this proceeding, within 30 days of granting staff's motion to open the investigation, draft tariffs with estimated costs for providing QRE service. The draft tariffs would greatly assist staff and parties in commenting on issues identified in this proceeding and resolving them timely.⁵

Among the questions staff intends to address in Oregon's proceeding are the following:⁶

1. *Does the Federal Energy Regulatory Commission (FERC) have jurisdiction over QRE service provided by electric companies? Does the answer depend on the design of this service and which function of the utility provides the service?*

FERC jurisdiction is not necessarily implicated for QRE service, according to PacifiCorp and Portland General Electric. In particular, QRE service is not subject to FERC jurisdiction when the utility's shared back office provides such service. Further, the back office already has the generating unit data for all generators in the Balancing Authority area, validates the data and does settlements. As a shared function, processes already are in place to ensure the confidentiality of the data.

2. *Would it be discriminatory for a utility to charge for QRE service for unaffiliated entities, but not charge itself for service for owned or contracted facilities?*

Staff believes so on its face. An additional consideration is reduced REC value for generators subjected to fee-based QRE service vs. no reduction in REC value for utility-owned and utility-contracted facilities not subject to such a charge.

3. *Is QRE service, except for very small generators, a competitive service?*

According to the WREGIS administrator, QRE service is not a competitive service for facilities larger than 360 kW. There is no incentive for third parties to compete with the Balancing Authority, which already has a meter on the

³ The first compliance year is 2011.

⁴ See OAR 330-160-0030(1).

⁵ If the Commission determines the electric companies should file tariffs for QRE service, in its order for this proceeding the Commission would direct each company to make a compliance filing with its final proposed tariff.

⁶ Staff provides its initial responses at this time to facilitate the investigation.

generating facility that provides uniquely accurate data no other entity can provide.

4. *Should electric companies be required to provide QRE service to all generators upon request?*

Staff believes so. The utilities seek Commission direction on whether they should do so and on what terms.

5. *What are the estimated costs for providing QRE services to unaffiliated entities and what is the basis for these costs?*

PacifiCorp currently is assuming a dedicated full-time employee would be needed to provide QRE service to unaffiliated entities. BPA estimates the costs of providing QRE services for all generators within its Balancing Authority area (both affiliated and unaffiliated entities) based on a 0.3 to 0.5 full-time equivalent employee. BPA recovers these costs in its power and transmission rates using a 50/50 split. Staff recommends that each electric company be directed to include its estimated costs in a draft tariff filed in this proceeding.

6. *Should the utilities charge the full cost for QRE service or would the cost be prohibitively expensive for generators?*

Theoretically, the transaction cost associated with fee-based QRE service could be incorporated in the cost of the RECs. However, if a utility is seeking to spread high fixed costs over few generators, the cost could significantly reduce the value of RECs or be prohibitively expensive. Further, incorporating this transaction cost in the REC does not necessarily address the issue of utility cost recovery for QRE services to unaffiliated entities. In that case, the utility providing QRE service is not purchasing the RECs, and the volume of QRE transactions may not cover the utility's fixed costs for providing the service.

7. *Should the service be subsidized region-wide on a pilot program basis?*

Among the options the WREGIS QRE Working Group is discussing is a regional pilot program where large electric utilities provide QRE service free of charge to unaffiliated entities, just as they provide the service free for owned facilities and contracted facilities where they receive the RECs. The program would be reviewed in two or three years. In support of this concept, California ratepayers paid the entire cost to develop WREGIS and get it established, and California ISO and BPA already are providing QRE service at no charge to all generators.

Further, such regional cooperation is necessary in order to facilitate use of WREGIS and trading of RECs that can reduce RPS compliance costs.

PROPOSED COMMISSION MOTION:

An investigation into electric companies providing Qualified Reporting Entity (QRE) services for certification of renewable energy certificates (RECs) by the Western Renewable Energy Generation Information System (WREGIS) be opened. Further, each electric company be directed to file in this proceeding, within 30 days of granting staff's motion to open the investigation, draft tariffs with estimated costs for providing such service.