Media Alert

California Regulatory Decision Will Spur Markets for Renewable Energy Throughout West while Accelerating Goals of In-state Renewables Portfolio Standards

The Center for Resource Solutions applauds today's action by the California Public Utilities Commission to allow regulated utilities and power sellers to use tradable renewable energy certificates (T-RECs) to meet their Renewables Portfolio Standard mandates. The decision will allow T-RECs sourced from within the interconnected Western transmission system to be used by utilities and other load-serving entities for up to 25% of their RPS target goals. The decision also puts a price cap of $50/MWh for RECs used for RPS, and clarifies language about what is meant by an unbundled REC subject to the decision.

"This has been a long and contentious issue," said Arthur O'Donnell, CRS executive director. "But it's been clear for some time that California was unable to meet its short-term 20% RPS goals without employing RECs. While still taking a cautious approach to this market for environmental commodities, the CPUC has at least eliminated an unnecessary market barrier for renewable energy."

California's largest utilities and other non-public-power sellers have been lagging in their ability to meet their RPS requirements by the end of 2010. Current statistics show a big gap for the three big investor-owned utilities, which served just 15% of their electricity deliveries in 2009 with eligible renewable energy despite signing many contracts for in-state generation resources that could take years to build.

According to the CPUC, this is how the utilities fared last year:

- Pacific Gas and Electric (PG&E) - 14.4%
- Southern California Edison (SCE) - 16.8%
- San Diego Gas & Electric (SDG&E) - 10.5%

RECs, which represent the positive environmental attributes of renewable energy generation, have been an accepted common denominator in energy markets for over a decade, O'Donnell pointed out. RECs have transformed the use of renewable energy by large commercial and governmental purchasers – including the U.S. Environmental Protection Agency -- by breaking down market barriers:

- RECs do not need to be scheduled on congested transmission lines.
- RECs may be banked and retired at different times than the underlying electron, improving deliverability.
- RECs may be bundled with non-associated system electricity purchases to "firm and shape" deliveries and improve reliability.
- RECS may be paired with electricity purchased with "contracts for differences" to help stabilize prices.

Of the 30 states with RPS mandates, California is among the very last to allow use of RECs. Today's decision will help spur new construction of clean technologies throughout the West, as California continues to resolve internal barriers to new construction of renewable energy projects that lack transmission access, or face cumbersome and contentious siting and licensing processes.

Looking ahead, as the California Air Resources Board develops its rules to achieve a 33% Renewable Energy Standard (RES) by all load-serving entities in the state by 2020, less restricted use of Western-

generated RECs will play an important role in keeping costs to California consumers reasonable and optimizing the regional transmission system.

O'Donnell noted that a recent report from the Lawrence Berkeley National Laboratory and consultant Black & Veatch found that free trade in RECs will reduce the costs of building transmission lines otherwise needed to enact a higher penetration of wind, solar and geothermal projects throughout the West. "With today's decision, California is finally taking the steps needed to realize its RPS goals, to reduce greenhouse gas emission from the power system, and capture such potential savings," O'Donnell said.