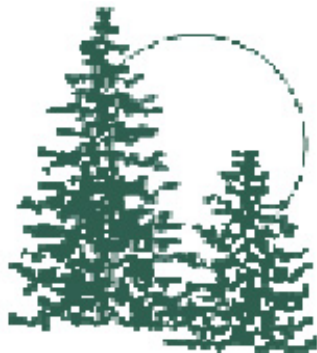


State / Federal RPS Collaborative
National Summit
Chicago, 7 November 2008

Interstate RPS Policy Cooperation



ED HOLT
& Associates, Inc.

Energy Smart Consulting

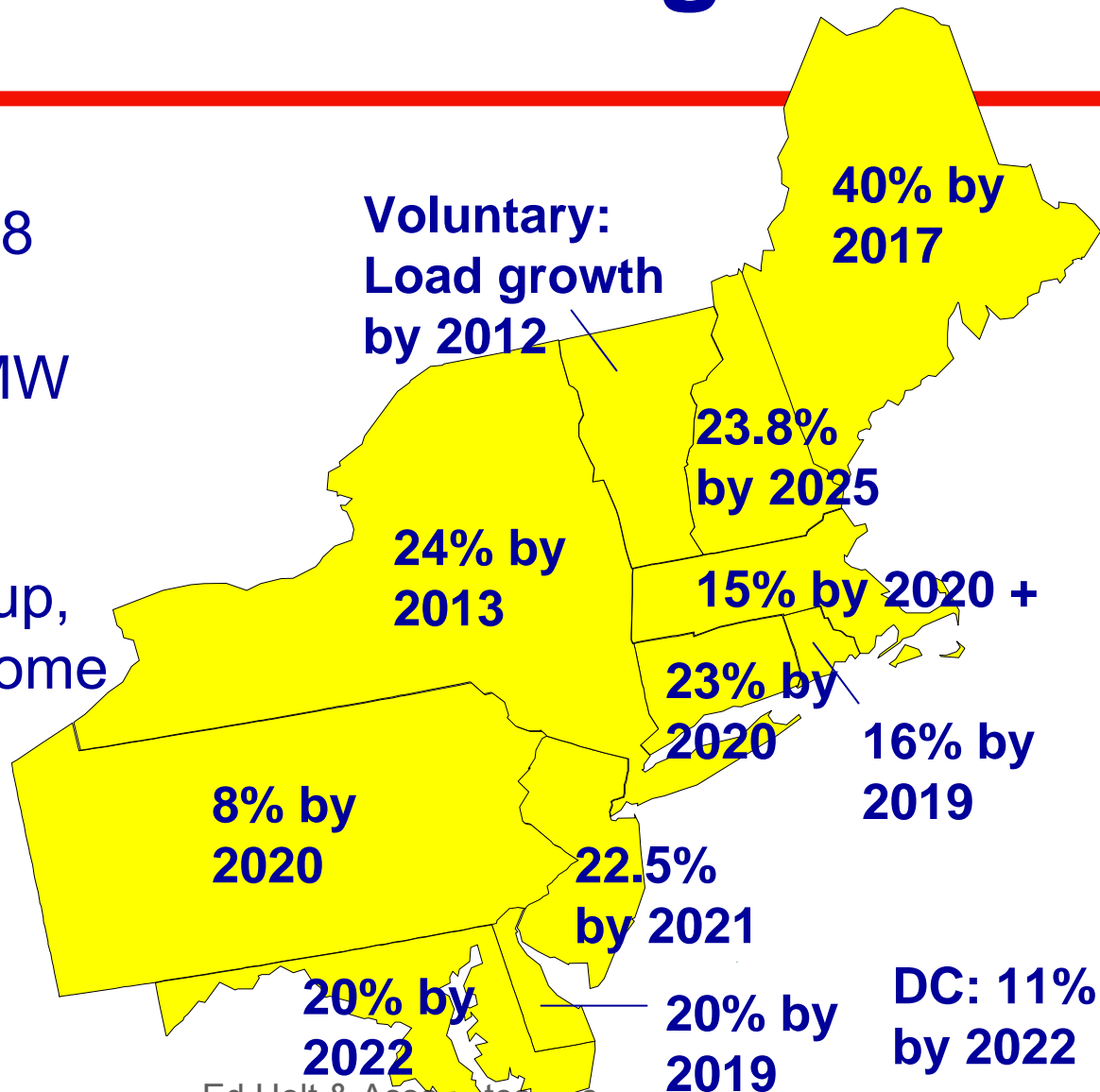
28 Headland Road
Harpwell, ME 04079
Tel. 207.798.4588
Fax 207.798.4589
edholt@igc.org

Background

- Undertaken on behalf of the Northeast and Mid-Atlantic RPS Collaborative
 - ▶ Thanks to CESA for its support
- A thought piece, not a research project
- Ideas could apply to any region of the US

Ambitious RPS Programs

- About 1,000 MW installed since 1998
- Need > 20,000 MW by 2025
- As targets ramp up, challenges will become more pronounced



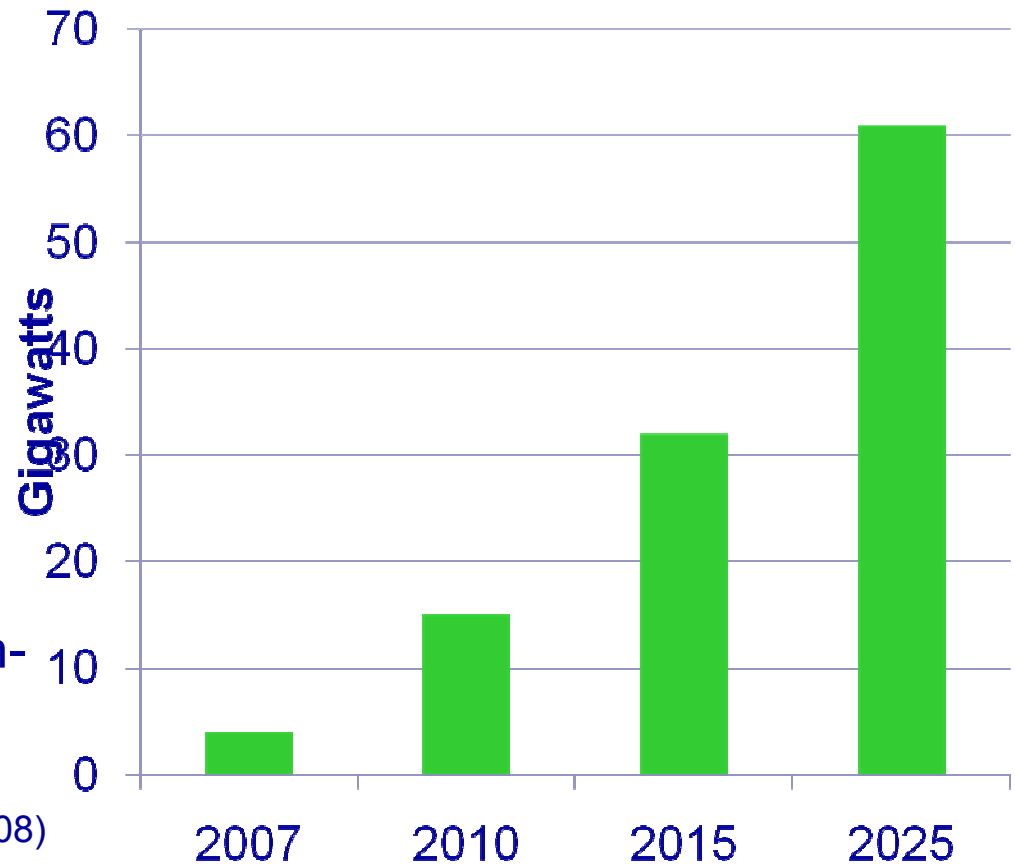
Ambitious RPS Programs - National

n Over 61,000 MW of new renewables needed by 2025 to meet state RPS policies fully

n Plus new states, expansions and voluntary state goals

n 77,000 MW if include non-bidding targets and goals

n Source: LBNL (Wiser & Barbose 2008)



Multi-state RPS Collaboration

- Identify ways to encourage greater harmonization, stronger regional markets and more robust REC trading
 - ▶ Do these concepts have merit?
- Typical RPS goals: resource diversity, energy security, economic development, environmental benefits
- Clear state interest in cost-effective RE development
- Reduce differences among RPS designs

Cooperation Pros and Cons

- Primary rationale:
 - ▶ Exploit cost differences, markets become more cost-efficient
 - ▶ Leads to broader markets
 - ▶ RECs are fungible → lower prices
 - ▶ Greater volume → better price disclosure
- Primary disadvantage:
 - ▶ May undermine in-state economic development

Differences in Resource Eligibility

- Leads to balkanized RE markets
 - ▶ Especially hydro and biomass
- Options for states
 - ▶ Revise criteria
 - ▶ Accept Class I RECs from other states
 - ▶ Discount Class I RECs from other states

Narrow Geographic Eligibility

- Location, location, location
 - ▶ Constrains markets and increases costs
- Options for states
 - ▶ Broaden facility geographic eligibility
 - ▶ Relax energy delivery requirements
 - ▶ Use geographic eligibility as a flexibility mechanism

Differing REC Definitions

- RECs are less interchangeable
 - ▶ Do RECs include emission reduction attributes?
 - ▶ PA and DE say no; NY says yes (also AZ, CA, CO, WA)
 - ▶ Most state rules are ambiguous--“all renewable and environmental attributes”
- Options for states
 - ▶ Define what attributes are included
 - ▶ Get states to agree

Differing Cost Caps and ACPs

- Can distort REC markets if supply is short
 - ▶ RECs gravitate to state with highest ACP
 - ▶ Other states left with unfulfilled RPS obligations
- Option for states
 - ▶ Standardize cost caps and ACP in market region

Do I have something in my teeth?



Next Steps

- Are benefits worth pursuing in a joint process?
- Who should be included?
- Appropriate process and forum?
 - ▶ Interstate MOU?
 - ▶ Model rule?
- Legislation will be required
 - ▶ Significant political commitment