

Principles & Best Practices For RPS Success

**State/Federal RPS Collaborative
National Summit**

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State RPS Laws: “Race to the Top”

- Enormous promise of RPS
- No single way to design RPS: resulting patchwork
- RPS laws tailored to particular realities/objectives of each individual state
- Easier to pass a law than to ensure it works
- Operational experience limited

Identifying RPS Principles & Best Practices

- **Steering Committee draft recommendations**
 - Emerging lessons; states as working laboratories
 - Best practices based on early state experience
 - Survey of state RPS program managers
 - Use for “look-in”, new state laws, and to guide federal RPS design

Principles

- RPS design should be guided by clear statement of specific policy objectives
 - Link program elements with policy priorities
 - Provide streamlined administrative mechanism for program adjustment if objectives not being met

Principles

- Ensure periodic review of results
- Establish metrics to track & report progress
 - MWh production, program costs, rate impacts, generation diversity, GHG reductions, etc.
 - Design metrics to evaluate how effective in driving new renewable development and increased production

Principles

- Establish clear, stable requirements
 - Simple to administer
 - Predictable, long-term program
 - Stable targets
 - Well-defined, stable eligibility definitions
 - Adequate compliance flexibility to allow LSE to respond to changing market conditions

Principles

- Design should be non-discriminatory and enforceable
 - Applicable to all suppliers of retail load
 - Consistent, credible enforcement to provide confidence to market participants

Principles

- RPS compatible with other public policies
 - Complement with reasonable siting regulations, clean energy funds, progressive interconnection/net-metering laws, tax incentives, and transmission planning
 - Consistent with regional market by avoiding undue geographic limitations on generation

Best Practices

- RPS targets
 - Stable and not subject to sudden changes
 - Ambitious but achievable, given developable resource potential, transmission constraints, siting challenges
 - Requirements increase over time

Best Practices

- Program duration
 - Sufficient duration to allow for long-term contracting and financing
 - Stable rules; changes only after sufficient notice and lead time

Best Practices

- **Well-defined eligibility**
 - Fuel, technology and vintage definitions guided by social benefits of particular resources and need for extra-market revenue
 - Customer-sited generation eligible
 - Restrict eligibility of existing resources
 - Ensure rules on out-of-state resource are legally defensible & recognize value of regional resource development

Best Practices

- Encourage use of RECs
 - RECs allow for flexibility, lower compliance costs, and simple verification
 - Rules to prohibit double counting such as use of RECs for both compliance and voluntary markets
 - Require use of robust tracking systems
 - Clearly define REC to include all emission attributes

Best Practices

- Program administration & enforcement
 - Ensure strong political & regulatory support
 - Establish mandatory RPS with strong enforcement
 - Consider use of alternative compliance payments
 - Set higher than estimated compliance cost
 - Dedicate to renewable development fund

Best Practices

- Cost recovery
 - Ensure cost recovery for prudent compliance costs
- Contracting standards
 - Encourage or require long-term contracting

Panel Questions

1. **What are your reactions to the draft best practices?**
2. **What have been the most significant challenges to meeting your state's RPS goals?**
3. **What are the good, the bad, and the ugly features of your state RPS program?**
4. **What are the most important lessons learned?**
5. **What are the most important complementary state and federal policies needed to support RPS success?**

Plenary Discussion

- 1. Do you agree with the draft RPS best practice recommendations? If not, why not?**
- 2. What important RPS design recommendations are missing from the document?**
- 3. What are the most important design strengths and weaknesses affecting RPS success?**
- 4. What RPS innovations are emerging from your state?**

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