



**State/Federal RPS Collaborative National Summit
November 6-7, 2008
Chicago, Illinois**

Meeting Summary

Clean Energy Group hosted a national summit on Renewable Portfolio Standards as a culmination of its first year in working with states on sharing best practices on RPS practices and policies. The objective of the summit was to:

- Examine the results to date of state RPS implementation efforts.
- Identify best practices for designing and implementing successful RPS initiatives.
- Explore the benefits of and opportunities for multi-state cooperation on RPS programs.

Approximately 75 people attended the summit including state RPS program administrators, public utility commissioners, and clean energy policy experts and advocates from around the country. The summit received financial support from the U.S. Department of Energy and the Energy Foundation.

Introductions and Summit Overview:

Mark Sinclair kicked off the summit by introducing Clean Energy Group (CEG) and Clean Energy States Alliance (CESA). Mark mentioned that states and cities are driving clean energy markets and progress. One of the major tools they have to advance renewables is Renewable Portfolio Standards. RPS laws have expanded in the last two years and 28 states now have them (MO passing ballot on 11/4 by 2:1 margin).

Mark commented that RPS laws have encountered implementation challenges. CEG was funded by DOE and the Energy Foundation to facilitate this multi-state, multi-stakeholder collaborative and to provide a forum to explore interstate and state/federal cooperation, build bigger renewables markets and foster strategies to ensure RPS success. The summit was an opportunity to report on progress of this collaborative. It was intended as a working session to identify lessons learned and find pathways to cooperation to ensure RPS and renewables success.

Mark then introduced Linda Silverman from the DOE Office of Energy Efficiency and Renewable Energy. Linda said that DOE wants to support states' dialogue on RPS best practices. She said that it is not clear what direction a possible national RPS would go in the new Obama administration.

Mark also introduced Chris Deisinger representing the Energy Foundation: Chris noted the significant lack of coherent federal energy policy and the way in which states have stepped forward in building energy policy and renewable energy markets such as RPS policies.

The summit participants introduced themselves. Mark then reviewed the collaborative objectives and focus of the first year's activities: 1) Design principles and best practices, 2) determine the appropriate role of the federal government in supporting state RPS policies, 3) evaluate merits of increased RPS harmonization among states, and 4) explore how RPS programs can foster technology diversity and innovation.

RPS Overview

Ryan Wisner, staff scientist at Lawrence Berkeley National Laboratories, gave a presentation entitled "Overview of the Status of State RPS Efforts Nationwide: Trends and Challenges". Dr. Wisner's presentation¹ included the following key points:

- Recent state RPS laws reflect increased stringency of targets (i.e., higher percentage of renewables), expanded use of technology-specific set-asides (especially solar), and expanded inclusion of publicly-owned utilities (i.e., munis)
- Over 50% of the U.S. electrical load is in jurisdictions already covered by an RPS requirement
- Full compliance with existing RPS would yield >70,000 MW of new renewables capacity; approx 18% of projected load growth by 2025.
- There is a dominant use of unbundled RECs (as opposed to physical energy delivery) for compliance with RPS requirements.
- There are three different renewable energy procurement models to comply with RPS requirements (supplier-procured, supplier-procured with PUC oversight in regulated states and state agency procurement in New York and now Illinois)
- States with solar set-asides are big driver of solar industry (CA= 3,000 MW)
- Rate impacts have not exceeded 1% and are substantially lower in most. As RPS targets rise, the impact should be greater; but 21/30 states still project rate increases of 1% or less.
- Several emerging issues may make compliance with RPS requirements challenging including the rising cost of renewables, restricted capital markets, transmission constraints; the uncertain extension of tax incentives; and wind integration challenges.

States' RPS Implementation Experience:

Steve Weisman, a consultant to CEG on the RPS Collaborative, presented the results of a survey which he conducted on states' RPS Experience. The primary questions the survey asked were:

- Do states believe they're achieving their RPS goals?
- Are there concerns emerging that could drive program modifications?
- Are other policies affecting RPS success?
- Would regional co-operation help in reaching RPS targets?

The general conclusions from the survey are that 1) programs are achieving goals but other issues and conflicting policies could limit future success; 2) states are modifying programs to address emerging concerns; and 3) states welcome the development of regional renewable

¹ Meeting presentations from the National Summit can be found at <http://www.cleanenergystates.org/JointProjects/State-Federal-RPS.htm>

energy credit (REC) markets and other forms of interstate cooperation. In particular, states cited geographic eligibility limits (i.e., in-state requirements) having a large impact on REC prices in states with insufficient renewable energy potential or challenging energy development environments.

RPS Principles and Best Practices:

The summit continued with a panel on RPS Principles and Best Practices. The panel included several members of the RPS Collaborative steering committee. Mark Sinclair introduced the session by reviewing the basic principles of sound RPS policies which came out of the steering committee recommendations. These include::

- The RPS design should be guided by a clear statement of policy objectives
- Accurate tracking and measurement of results
- Clear, stable requirements
- Compatibility with other public policies
- Encourage use of RECs as a compliance mechanism
- The policy should have strong political and regulatory support
- The program should ensure utility cost recovery (within reasonable constraints)

Mark posed several questions to the panel:

- What were their reactions to the draft “best practices” recommendations? Panelists noted a distinction between “optimal” and politically feasible policies and practices. They mentioned that pending Greenhouse Gas policies may make RPS’ irrelevant as a market driver. They said it is difficult to move towards a regional REC market feasible if state policies are subject to geographic constraints. It is difficult for a state RPS program to optimize on all goals (e.g., least cost resource vs in-state development). The “lumpy” nature of project development (i.e., large projects that may be subject to development delays) makes hitting annual targets difficult. The panels believes that utilities need to pursue all economically-achievable energy efficiency in tandem with an RPS (reduces the denominator and makes the target easier to hit).
- What are the most significant challenges in RPS implementation? In Maryland, where the RPS laws are quite “loose”, there is a need to adjust targets and resource eligibility to make rules less lax. A representative from NREL mentioned that financing of new projects may make hitting these targets difficult, particularly since project investors may have less tax liability to protect with PTC’s. In New York, siting of new projects, delivery of energy to NY markets, and the uncertainty that least-cost (or best) projects may not get through the ISO queuing process were all cited as challenges. In California, allocating the costs of intra-state and interstate transmission lines, the rapid scale-up of new technologies (utility-scale solar) and the need for greater inter-agency coordination were all mentioned.

Mark then solicited audience comments:

- Collin Murchie of SunEdison commented that an RPS is designed to create a demand-pull mechanism. It shouldn’t be constantly tweaked and can’t solve the renewable energy industry’s problems. Murchie later added that there are major difference in “best

practices” between regulated, competitive and central procurement market.

- A representative from the Oregon Dept of Energy was concerned that states with in-state requirements may run afoul of Interstate Commerce Clause issues (though these challenges have not yet occurred).
- Jan Hamrin, Secretary General of the Environmental Tracking Network of North America (ETNNA) said that pending GHG cap & trade programs don’t encourage innovation and development of new technologies or transmission planning.
- Beth Soholt of Wind on the Wires mentioned that reaching the RPS targets will require a paradigm shift on the part of fossil-fueled generators with respect to system portfolio flexibility (ramping down or shutting down fossil plants). There is a need to anticipate the transmission needs of both renewables and non-renewables well in advance of the RPS targets.
- Sam Watson from the North Carolina Utilities Commission emphasized the need to look at the future interaction between RPS’ and cap and trade programs.

Environmental Tracking Network of North America:

In the last session of the first day, Jan Hamrin gave an overview presentation on ETNNA. ETNNA is a voluntary association modeled after the European Assn of Issuing Bodies. The organization is policy and technology neutral. Its goal is to ensure that RECs are not double counted. It acts as a forum to discuss common issues facing state RPS programs and regional tracking systems. . Jan encouraged states to get involved in the process as governmental or NGO stakeholders.

Identifying Opportunities for Regional Collaboration:

The second day of the summit began with a panel discussion on “Identifying Opportunities for Regional Collaboration”. Lori Bird of NREL moderated the session. She began by posing three reasons why regional collaboration might be desirable:

- Regional markets may help facilitate compliance by states as RPS requirements ramp up
- RPS implementation challenges may be common to a region (transmission planning, siting) and therefore suited for regional discussion and policies
- Regional cooperation may make RPS implementation more cost-effective through the sharing of resources (e.g., regional tracking systems)

Ed Holt of Ed Holt & Associates highlighted some points contained in his paper prepared for the Northeast/Mid-Atlantic RPS Collaborative²: Ed pointed out that states will need 61,000 MW of renewable energy capacity by 2025 to meet existing RPS targets. States should have an interest in reducing the costs of RPS compliance. On the other hand, regional markets may undermine the policy objectives of in-state economic development.

Ed suggested several possible approaches to greater regional RPS harmonization:

² “Increasing Coordination and Uniformity among State Renewable Portfolio Standards,” by Ed Holt, October 2008. See http://www.cleanenergystates.org/Meetings/Chicago-RPS_Summit/CESA-rps_Holt_10.29aDRAFT.pdf

- Common eligible resource definitions (especially for biomass and small hydro) or, at least, reciprocity with neighboring states.
- Broader geographic eligibility by broadening facility eligibility or relax energy delivery requirements or use as a way to avoid hitting price caps.
- Common definitions of RECS (what attributes are included).

Paul Michaud, Policy Director of the CT Clean Energy Fund gave a review of the current degree of harmonization in New England and the Northeast. The states in the region have major differences in resource eligibility for biomass and hydro. All states except CT have the same Alternative Compliance Payments (ACP) price cap. Any regional harmonization must be done in the context of a comprehensive regional power procurement plan. There are significant regional transmission constraints—plenty of wind resources in the north of the region but all of the transmission and load centers in the south. Which state is going to pay for the transmission upgrades? The state with the resource or the state that wants the power?.

Tom Stanton, representing the Michigan Public Service Commission, noted that most states in the Midwest region need to add renewable energy capacity each year representing about 1% of electric load demand in order to hit their RPS targets. Yet these targets are still way below what needs to be achieved to address climate change (30% renewables). As in other regions, transmission planning is a big priority.

Lisa Schwartz of the Oregon Public Utilities Commission noted that the West is a huge geographic region with no organized interstate power markets. The region faces challenges related to coordination of transmission, wind integration into the grid, utility resource planning and eligibility criteria. Lisa described the Western Renewable Energy Zone Initiative, a project funded by DOE, to begin to address these regional issues.

Regional Breakout Sessions:

Participants then moved to regional breakout sessions to discuss the status of RPS implementation in their states, state-specific barriers and challenges, and possible opportunities for regional collaboration. Common themes among the regions were 1) the need for regional cooperation in transmission planning, siting guidelines and cost allocation, 2) the challenges of grid integration as RPS levels increase 3) a desire to understand the relationship between existing RPS' and potential regional or federal cap and trade programs, 4) the conflict between building broader regional markets for renewable energy/RECS and the important political driver of in-state economic development and 5) an interest in standardizing ACPs among states. There seemed to be little interest by the states in attempting to harmonize RPS definitions across regions.

Overall, states were very positive about the work that the RPS Collaborative has done to date and supportive of a continuation of the collaborative and an additional summit next year.

Year Two Priorities:

The summit was wrapped up later in the afternoon with a discussion on setting priorities for Year 2 of the Collaborative. Areas of interest included:

- Providing program implementation assistance for states with newly passed RPS laws

- Assessing the interaction of RPS' with other related policies, especially those addressing climate change and greenhouse gas regulations
- Integration of energy efficiency resource standards and policies with RPS'
- Understanding how existing and pending federal policies can best support states' efforts.

Finally, there was strong interest in bringing a broader set of players into the collaborative. In particular, participation by utilities, independent system operators and renewable energy project developers was welcomed.

CEG Symposium on Federal/State RPS Interaction:

CEG also hosted a separate symposium on the coordination of existing state RPS policies with a potential Federal RPS. This symposium was funded with support from the Energy Foundation.

In opening remarks, Mark Sinclair of CEG mentioned that the United States already has a de facto National RPS with 28 state programs now on the books. He anticipates that the next Congress will renew efforts to pass a federal RPS. The state programs are providing data and real world lessons to guide the development of a federal RPS without a federal program preempting existing state programs. The RPS Collaborative would like to release a set of recommendations on what a federal RPS should look like to the new Congress.

Keynote Address by Leon Lowery:

The keynote speaker for the symposium was Leon Lowery, Majority Staff on the Senate Committee on Energy and Natural Resources. Lowery gave a history of attempts to pass a federal RPS. In his remarks, he cited the need for a federal transmission siting authority since transmission issues limit the possibility of dealing with many other issue related to clean energy development. FERC has backstop authority to deal with transmission congestion if the states have not acted in year or so. Mr. Lowery believes that a proposal to deal with transmission issues may emerge in the next Congress. The legislation could do some or all of the following:

- define a federal transmission backbone (similar to interstate highway system) and give FERC authority over that
- provide FERC with jurisdiction for transmission to reach renewables
- give FERC backstop authority for all transmission
- create regional entity to deal with these issues

Mr. Lowery discussed the political dynamics of advancing a national RPS in the next Congress. While the Senate picked up four new members who would be supportive of a national RPS (NH, NM, CO, NC), the Energy and Natural Resources Committee have key members (Murkowski, Landrieu) who would not support moving it forward.

He assured the states that any federal RPS would not preempt state RPS laws. The federal RPS would be a floor, not a ceiling, although this sets up some constitutional questions with respect to states setting federal policy. Finally, he mentioned that states would continue to have jurisdictional control over their utilities.

Panel Discussion on State/Federal RPS Interaction:

Miles Keogh, Director of Research for NARUC, then moderated a panel discussion on the role of the federal government in assisting states with their RPS implementation as well as the potential role of the states in influencing federal RPS policy. Among the questions posted by Mr. Keogh regarding a federal RPS were:

- Should a federal RPS preempt state RPS policies?
- Will load-serving entities' purchases under state programs count against federal obligations?
- How can federal efforts (apart from a federal RPS) help states to meet their RPS target?

Panelists were Commissioner Jimmy Ervin (North Carolina PUC), Hans Detweiler (AWEA), Alan Noguee (Union of Concerned Scientists), Kate Zocchetti (California Energy Comm), Comm. Mark Baker (Colorado Dept of Regulatory Affairs) and Janet Besser (National Grid).

Panelists emphasized that they do not want a federal RPS to preempt state policies, particularly in states such as California which have very high renewable energy targets. They did believe, however, that a federal RPS could help to create broad, liquid renewable energy markets to help states meet their RPS obligations (subject to in-state generation requirements). In addition, the recent financial crisis has impacted, in the short run, the ability of corporations to absorb production tax credits, making a federal policy a more important driver of renewable energy development. Panelists agreed that as important to moving renewable energy ahead as a federal RPS was a federal plan for transmission development; analogous to the interstate highway system. This national transmission system is seen as a backbone to support renewable energy development and critical to meeting RPS targets. Panelists did not see the need for a national REC tracking system but emphasized the importance of avoiding double-counting of RECs in multiple jurisdictions. Commissioner Ervin of NC was concerned about the impact of a national RPS on electric rates in his state and presumably in other southern states without access to low-cost renewable resources. Finally, panelists commented that the continuation of the RPS Collaborative was important to ensure that their collective recommendations are heard at the federal level as a federal RPS is debated and crafted.