

The Multiple Problems of RPS Multipliers

Steve Johnson

Washington Utilities and
Transportation Commission

I-937, Energy Independence Act

- RCW 19.285, WAC 480.109.
- 3% by 2012, 6% by 2016, 9% by 2019
- Water (no freshwater diversion), wind, solar, geothermal, landfill gas, wave, ocean, tidal, gas from sewage treatment, biodiesel, biomass
- Conservation targets, too
- Only utilities with 25,000+ customers

Goal of Multiplier

- Subsidizes a technology to make it price competitive with other resource choices by providing additional RECs.
- Provides additional industry/constituent support for voter initiative.

Multipliers

- “Distributed generation” counts as double toward utility’s REC requirement if utility “contracts” for RECs.
- “Distributed generation” is defined as a resource or “cluster of resources” of less than 5 MW.
- 1.2 multiplier for use of “apprenticeship” labor programs in resource construction.

What Qualifies as Distributed Generation?

- Does not actually need to be on distribution system.
- Technology neutral (sort of): small solar, small wind, landfill, sewage, biomass.
- Size designated by capacity not output.
- “cluster” is not well defined but intent is fairly clear.

Unintended Consequences

- Transmission cost and losses not necessarily avoided.
- 5 MW becomes size limit of projects.
- The value of the additional REC varies independently of “out of market” cost of resource.
- Administrative burden

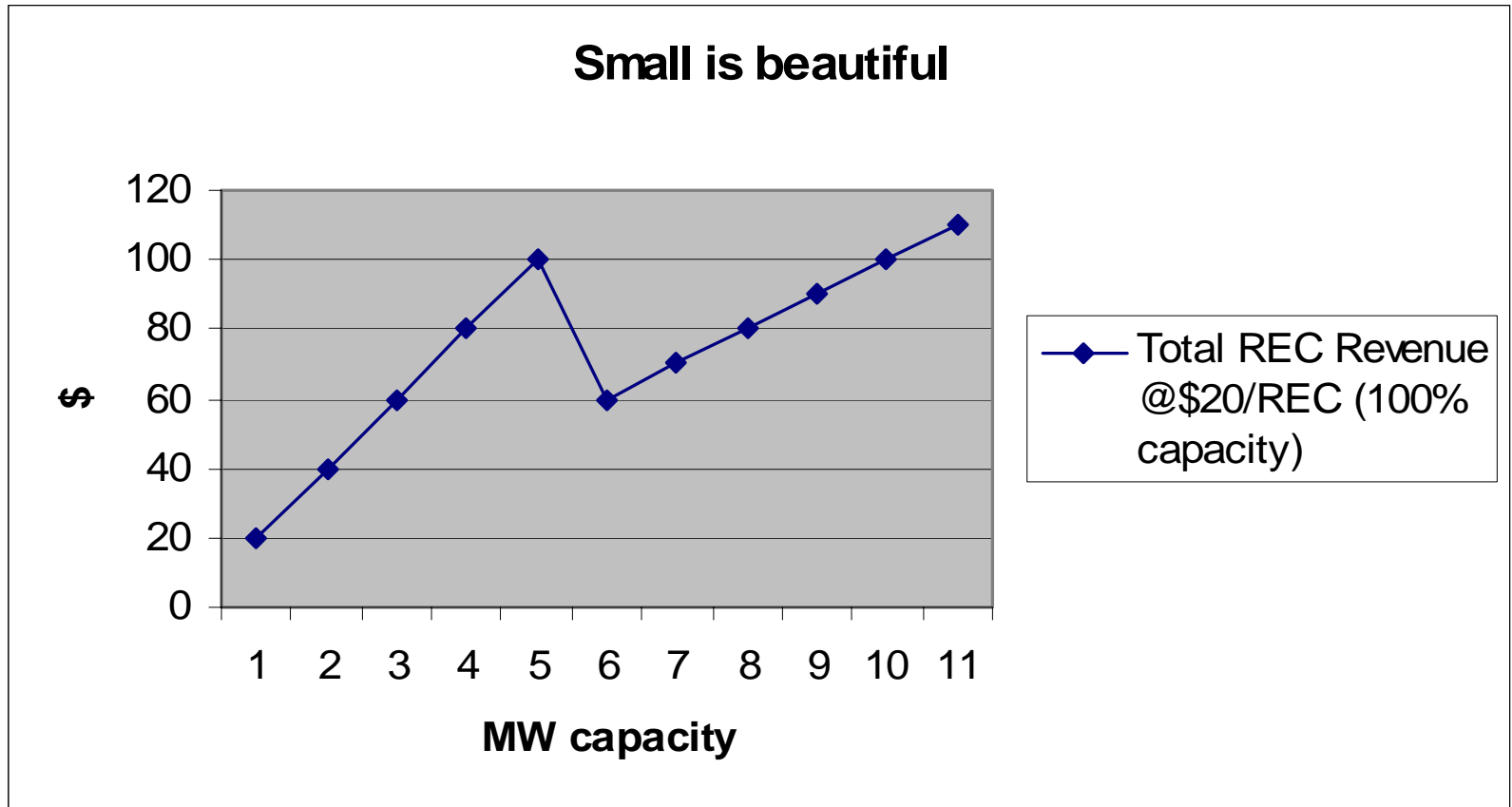
Transmission Costs and Losses Not Necessarily Avoided.

- PSE solar facility is hooked to wind project which is connected to transmission lines.
- Livestock/dairy biomass in rural locations.
- Old landfills could now be in urban growth area.
- Why subsidize small wind plants built in denser distribution systems?

5 MW Size Limit

- Solar resources that are bigger than 5 MW lose half their RECs.
- Landfill or biomass with onsite gas storage to stay under the 5 MW limit?

Something Kinky

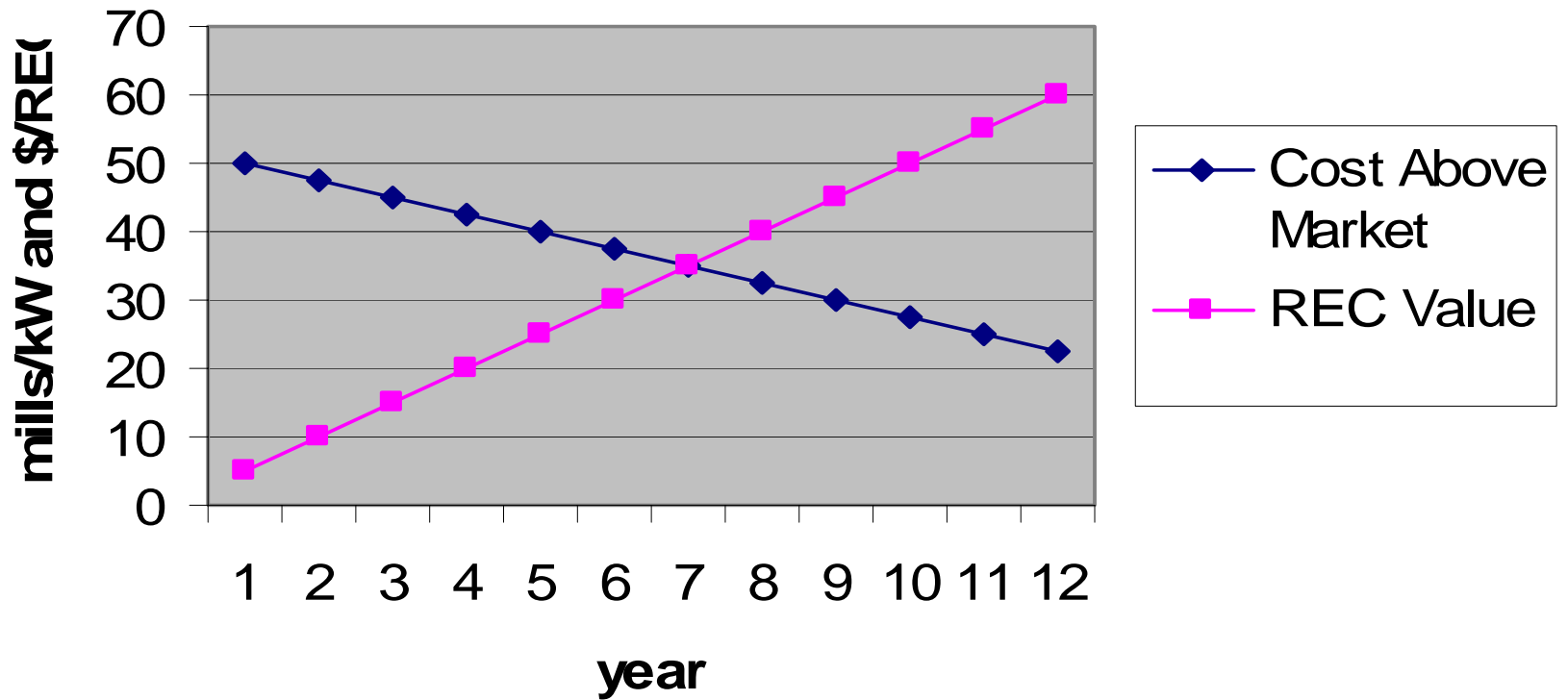


Additional REC Value Varies

- Driver behind the need for multiplier is cost difference between various renewable technologies.
- No correlation between the “out of market” cost and the subsidy (REC Value).
- The true driver behind REC value is California demand or federal RPS.
- Shouldn't the subsidy for a particular technology decline over time not rise?

Subsidy going the wrong way?

REC Value vs. Out of Market Cost



Mechanics, Administrative Cost.

- Small solar roof top owners will need to contract to sell RECs to utilities.
- May sell RECs under low price fixed contract without a REC market price to index to.
- Can sell to any utility not just the one providing electric service.
- Multiplier is stuck with one vision of technology application.

IOU Interest?

- Big wind still proving cheaper.
- Not utility scaled (5MW limit).
- Thousands of rooftop installations have higher transactional cost of administrative verification.