

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Continue  
Implementation and Administration of California  
Renewables Portfolio Standard Program.

Rulemaking 11-05-005  
(filed May 5, 2011)

**COMMENTS FILED BY THE CENTER FOR RESOURCE SOLUTIONS  
ON IMPLEMENTATION OF NEW PORTFOLIO CONTENT CATEGORIES  
FOR THE RENEWABLES PORTFOLIO STANDARD PROGRAM**

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Dated: August 5, 2011

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**Introduction**

The Center Resource Solutions (“CRS”) respectfully offers these comments on issues nine and ten of the Administrative Law Judge’s Ruling Requesting Comments on the Implementation of the New Portfolio Content Categories for the RPS Program. In these comments, CRS seeks to augment the record by bringing to the Commission’s attention language in the RPS statute that requires renewable energy credits (“RECs”) to include “all renewable and environmental attributes associated with the production of electricity from the eligible renewable energy resource.” CPUC § 399.12(h)<sup>1</sup>, enacted in SB 107 Section 14. In particular, CRS requests that the Commission clarify the definition of RPS-eligible energy in issues nine and ten in order to remove any apparent inconsistency with section 399.12(h).

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<sup>1</sup> All statutory references are to the California Public Utilities Code unless otherwise noted. RECs refer to tradable renewable energy credits used for compliance with California’s RPS compliance statute unless otherwise noted.

**a. Definition of Unbundled Renewable Energy Credit—Issue Nine**

CRS wishes to comment on issue nine, which asks whether the phrase “unbundled renewable energy credit” should be interpreted as meaning “a renewable energy credit [as defined in new § 399.12(h)] that is procured separately from the RPS-eligible energy with which the REC is associated.” This language suggests that RPS-eligible electricity that has been separated from the associated RECs would still be considered RPS-eligible. We suspect the Commission did not anticipate this implication in its choice of words, and we believe the Commission may wish to consider revising the definition of RPS-eligible energy to remove any apparent inconsistency with section 399.12(h).

In particular, section 399.12(h) states that a “‘renewable energy credit’ includes all renewable and environmental attributes associated with the production of electricity from the eligible renewable energy resource . . . .” According to this section, electricity that has been separated from the associated RECs no longer can be considered renewable energy since all of the renewable attributes are included within the REC. If RPS-eligible electricity includes electricity that has been stripped of its RECs, this proposed definition of an unbundled REC would conflict with section 399.12(h). Such an interpretation would also create regulatory confusion and uncertainty among stakeholders, and would potentially lead to double-counting of renewable electricity.

Accordingly, CRS proposes the following definition of an unbundled REC. An unbundled REC could be defined as a renewable energy credit [as defined in new § 399.12(h)] that is procured separately from the underlying renewable electricity, wherein the underlying renewable electricity ceases to be renewable and RPS-eligible in the event that the REC is separated from the actual electricity.

**b. Definition of Unbundled Renewable Energy Credit—Issue Ten**

CRS also wishes to comment on issue ten, which asks whether section 399.16(b)(1) includes “any transactions that transfer only RECs but not the RPS-eligible energy with which the RECs are associated (for example, a transaction in which an RPS-eligible generator having a first point of interconnection with a California balancing authority sells unbundled RECs to a California retail seller) . . . .” Issue ten then states: “If your response is that unbundled REC transactions are or may be included in § 399.16(b)(1), please also address how a particular transaction can be characterized and verified as belonging in a particular portfolio content category.” As noted in section (a), this language could be interpreted to mean that RPS-eligible electricity that has been separated from the associated RECs would still be considered RPS-eligible. Again, we suspect the Commission did not anticipate this implication in its choice of words, ask that the Commission consider clarifying the definition of RPS-eligible energy to remove any apparent inconsistency with section 399.12(h).

CRS would like to highlight some of the many benefits of RECs, and the importance of including them within the RPS. Permitting some trading of unbundled RECs will reduce the overall costs of the RPS program while promoting the nationwide use of renewable energy. Given that RECs are recorded and transacted on paper or electronically, trading RECs is far easier than trading actual electricity. Thus, using RECs can reduce transmission costs by allowing projects to avoid actual delivery of electricity over limited transmission paths. As such, RECs help to overcome transmission and geographic restraints that are key barriers to clean energy development. REC trading also allows renewable energy generators to seek the highest value markets

and find buyers more easily instead of being constrained to selling renewable electricity to buyers that can receive the actual electricity. RECs also increase flexibility for RPS compliance because they may be banked, thereby helping to avoid problems with intermittency in generation and load-matching between buyers and sellers. In addition, RECs are much easier than actual electricity to track for RPS compliance purposes. Taken together, these features of RECs increase the overall efficiency of the market and aid in the development of the most cost-effective resources.

### **Conclusion**

CRS requests that CPUC consider some variation of our alternative definitions of an unbundled REC in order to ensure that there is no confusion as to whether the underlying electricity is RPS-eligible. CRS also reiterates that unbundled RECs are an important tool for RPS compliance because they reduce costs and increase flexibility.

DATED: August 5, 2011

Respectfully submitted,

*/s/ Robin Quarrier*

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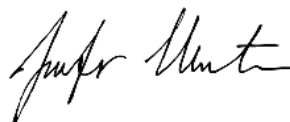
Robin Quarrier  
CENTER FOR RESOURCE SOLUTIONS

## VERIFICATION

I am an officer of the nonprofit organization herein, and am authorized to make this verification on its behalf. The statements in the foregoing document are true of my own knowledge, except as to matters which are therein stated on information or belief, and as to those matters I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on August 5<sup>th</sup>, 2011 at San Francisco, California.



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Jennifer Martin  
Executive Director  
CENTER FOR RESOURCE SOLUTIONS