

National Geothermal Collaborative
Final Meeting Summary
Renewable Portfolio Standards Work Group
March 4, 2003
RESOLVE, Denver Office

In attendance:

Marilynn Semro – NGC, Seattle City Lights
Dan Schocet – NGC, Ormat
Bob Grace – Sustainable Energy Advantage
Kevin Porter – Exeter Associates

RESOLVE Staff:

Kathleen Rutherford
Jody Erikson

Meeting Objectives:

The objective of this meeting was to review the purpose of the RPS report and the decision making process, provide overall impressions and specific comments on the draft RPS report compiled by Exeter Associates, discuss guiding principles and to clarify next steps.

Introduction:

Purpose of the Report:

“The consultants will compile what is known about RPS systems – how they work, when they break down, how and where RPS have been successful and criticisms of RPS. The consultants will use this information to set criteria for determining whether a state’s approach is successful and will evaluate RPS using the criteria. Finally, the consultants will formulate specific recommendations for the future.” (RPS Statement of Work, 2002)

Decision Making:

The following text is from the NGC Protocols (last revised 8/15/02). It is inserted here as a reference for clarity:

Consensus:

“The NGC is committed to working by consensus. That is, the organization and its members recognize that the credibility and authority of the NGC’s work products derive from the fact that they were developed through the cooperative efforts of a wide range of concerns and perspectives. Participants in the Collaborative will work to craft consensus agreements – those recommendations about policy or practice that all participants can support.”

Consensus Documents:

All NGC documents are processed as consensus documents. “A consensus document is a publication for general release to the public with which all members are in general agreement...The working group with expertise in the subject matter in the proposed report is the first reviewer of the document. Once a revised draft is acceptable to the working group it is reviewed by the full NGC membership.” (NGC Protocols 2002) The work group must have a consensus to recommend the document for NGC review.

Consensus Document Criteria:

“Consensus-document status is recommended for documents that meet one or more of the following criteria:

1. Analytic or prescriptive conclusions are presented on specific policies and/or pending legislation or rulemakings;
2. The subjects and issues addressed are characterized by a broad range of views”

Draft Report : “Creating Geothermal Markets: Evaluating Experience with State Renewables Portfolio Standards”:

Kevin Porter and Bob Grace presented the highlights (see Appendix A), and key elements of the report. Throughout the presentation they received and responded to general and content specific feedback.

Kevin began with the observation that over half the states either have or are considering an RPS (13 states have an RPS). RPS began in states with restructured (competitive) power markets and spread into states with regulated (monopoly) markets.

Kevin made the observation that from their work they found there is no single way to create an effective RPS: the key to success lies in the details.

Agreement: The report will delineate which states have restructured (competitive) or regulated (monopoly) markets. States with competitive markets - Arizona, Connecticut, Maine, Massachusetts, New Jersey, Pennsylvania, Texas; states with monopoly markets and an RPS – California, Iowa, Minnesota, New Mexico, Wisconsin; Nevada is considered to be both a competitive and regulated market.

Concerns were expressed that an RPS does not address power needs (power supply at low costs) or compatibility of renewables with the load technology (matching resource development needs with utility load demand). Bob Grace suggested this could be addressed several ways: give regulatory discretion to the implementation of the RPS; require it to be compatible with utilities load demand; or design an RPS to limit select resources. This last option is mentioned later in the report as an aspect of existing RPS linked with failure. In Connecticut they limited select resources to the degree that few, if any, are increasingly utilized as a result of the RPS.

Criteria

The first criteria for an effective RPS is to have a clearly stated objective. The objective can direct the design of an RPS to address the needs of the state and its utilities. The elements can be detailed in the legislation or discretion can be given to regulators to create them.

Edit: Add a footnote to the graph that states what portion of the 2002 renewable capacity is geothermal.

Edit: Reframe the graph to average megawatts.

Alternative Policy Approaches

There was a discussion about how much comparative analysis between alternative approaches was appropriate and informative. There was agreement that many of the alternatives were compatible and complementary with an RPS and therefore it would be important to present some comparative analysis.

Agreement: Include comparative analysis between RPS and alternative policy approaches; when are they complementary?

Agreement: Include more information on IRP as a compliment and a means to justify RPS.

Agreement: Report on RPS and IRP separately and then how they work together.

There was further discussion regarding the relationship between IRP and RPS. These approaches can support each other in one of two ways, either by establishing an RPS leaving implementation to the utilities (monopoly commission sets the details) or establish an IRP (long term needs) and utilize an RPS to achieve the goals.

Although the report will be a record in time, Kevin and Bob will try to incorporate any major changes that occur in the RPS arena between the draft and final report (e.g. Federal production tax credit legislation that is attached to the Economic Recovery Act).

Green Pricing

One challenge for geothermal development is long term financing. Some industry representatives feel that green pricing is not able to cover the long term financing that is necessary to geothermal; that green pricing/marketing is short term in nature and doesn't support long term contracts.

Evaluating State RPS

Edit: Add 'risk reduction' to Principle #1.

Edit: "Policy Design Criteria" slide - "Credible & Effective" -definition should include - not unduly burdensome edit into Principle #2;

Bob and Kevin mentioned that a logical next step following the report might be to work with the NWCC to develop on set of language for any RPS, and pieces that relate to wind and geothermal. This language could be provided to legislators as they create new RPS.

Outcome Criteria (slide 29)

Edit: Add, “Reasonable and Stable Costs...LSEs, customers...**reliably** priced electricity supply.”

Edit: Add a sentence about not adding additional renewables at the expense of existing and underutilized renewables.

One indicator of a weak RPS is when a resource is a poor fit with the existing utility systems and therefore imposes extra costs for compliance.

Design Criteria

“Broad applicability

Edit: Qualify “minor exemptions” – (narrow) - PUC without authority ...if legislation is the source...very small 1MW?

Edit: Remove “Publicly-owned”

Geothermal Specific Criteria

Edit: Add “ increased geothermal ~~prospecting~~ EXPLORATION, development...”

Edit: Add to the headings, in parentheses, “Outcome (#1,2), Market Context(#), Design (#3,4)”

Principles & Best Practices

There was a discussion regarding how an RPS will manage for unintended consequences. Options mentioned included: limit latitude and not let standards slip below the established goal; change eligibility carefully – with sufficient notice, open processes, and within defined parameters. If the RPS allows for too much flexibility it creates regulatory and market uncertainty, resulting in an unsuccessful RPS.

Utilities have considerable fears regarding an RPS forcing them to buy energy at unreasonable costs. One way to resolve this fear would be to create a cost cap, but this also must be done carefully. The cap must be well above market prices. If the cap is too close to the market it may raise the market price to the cap. The cost cap could be a multiple of compliance costs, in certain situations.

Edit: Add to #2/6 - “process of complying should not be unduly burdensome”

Next Steps:

Exeter will incorporate comments/changes reflected in this meeting summary and from their own notes.

- ? March 14th, 2003 – Send you track changes to RESOLVE (Kathleen)
- ? March 24th, 2003 – RESOLVE will send integrated version to Exeter
- ? March 25th, or X Date 2003 – Tentative conference call – Exeter will schedule this
- ? April 8th, 2003 – Disseminate final draft to NGC Steering Committee