Mark Futrell  
Florida Public Service Commission  

Submitted electronically  

**RE: Staff RPS Workshop on September 27**  

Dear Mark,

Enclosed please find for filing joint comments submitted on behalf of Vote Solar, Solar Alliance, FlaSEIA and FREA.

Respectfully Submitted,

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JOINT COMMENTS OF VOTE SOLAR, SOLAR ALLIANCE, FLORIDA SOLAR ENERGY INDUSTRIES ASSOCIATION, AND FLORIDA RENEWABLE ENERGY ASSOCIATION ON A RENEWABLE PORTFOLIO STANDARD

Introduction

The following comments are made on behalf of Vote Solar, Solar Alliance, Florida Solar Energy Industries Association (FlaSEIA) and Florida Renewable Energy Association (FREA), hereinafter referred to as “Joint Solar Parties”. The Vote Solar Initiative (“Vote Solar”) is a nonprofit organization with members throughout Florida and the U.S that aims to address global warming and energy independence by bringing solar energy into the mainstream. Solar Alliance is a state focused alliance of manufacturers, integrators and installers that are dedicated to accelerating the promise of solar energy in the United States. Solar Alliance’s members include Sharp Solar, BP Solar, Kyocera Solar, Sanyo Energy, Schott Solar, SolarWorld, Sun Edison, SunPower, and Uni-Solar. The Florida Solar Energy Industries Association (FlaSEIA) is a nonprofit professional association of companies involved in Florida’s solar energy industry. Members include manufacturers, distributors, contractors, retailers and consultants who provide solar water heating, pool heating and solar electric systems. Florida Renewable Energy Association (FREA) is dedicated to expanding the use of clean, renewable energy technologies through public awareness, political advocacy, and individual initiative.

The following comments reflect our joint response to the questions and issues raised at the September 27th undocketed Staff Workshop on Renewable Portfolio Standards, a workshop that was intended to address in particular mechanisms for monitoring and ensuring compliance with renewable energy goals established by an RPS. We have previously filed comments on this issue and on other recommendations for design of a successful RPS in Florida. An excerpt of those previously-filed comments that addresses the issues compliance and enforcement of an RPS is included below in Appendix 1.

The purpose of these comments is to respond to some of the discussion points that arose during the workshop on the 27th of September and to respond to the questions posed by the staff.

Presentation by Ryan Katorfsky. We would like to commend Mr. Katorfsky for an excellent overview of RPS design issues, and offer the following comments on his presentation:

1. REC-based vs. contract-based. We have previously asserted that REC based systems offer the greatest flexibility and ease of compliance assurance. As noted with the example of Colorado, a REC based system does not preclude the use of long term renewable energy procurement contracts. As an illustration of problems that can arise in a system that relies solely on direct contracts, consider California, which relies on signed contracts for REC compliance with that state’s RPS. We have seen problems arise with large-scale renewable energy contracts signed between utilities and companies who are developing new and pre-commercial technologies, contracts that can potentially create disruption in the market due to the uncertainty of whether the underlying renewable
projects will actually be built, and whether the renewable projects will be able to fulfill their contract obligations.

2. ACM / Penalties. As noted by Mr. Katorfsky, the ACP price level for REC’s is a key factor in achieving RPS targets. Specifically, the ACP price needs to be set at a level significantly higher than the projected cost of procuring renewable energy credits directly, in order to encourage obligated parties not to “opt out” of the RPS. Also, as Mr. Katorfsky points out, a separate ACP needs to be set for solar REC’s, likely at a level that is much higher than the ACP level for non-solar REC’s. As an example, New Jersey Board of Public Utilities, in conjunction with phasing out up-front rebates for commercial-scale solar and transitioning to an RPS market based solely on solar REC’s, has recently approved an increase of the ACP for solar REC’s to over $700/MWh. This does not mean that solar REC’s will trade at this level, but instead provides a firm ceiling and strong incentive to obligated parties to work hard to procure solar REC’s rather than simply paying the ACP.

Response to Solicitation of Comments on RPS Implementation Issues

Let us now respond to the issues outlined in Judy Harlow’s presentation and request for comments.

1. Who administers verification of compliance?

- We would recommend a third-party registry service be used for the purpose of registering and ensuring eligibility of REC’s, and for tracking REC ownership and REC trades.

- We would then recommend that the PSC review a report from this registry service periodically (at least annually) to monitor compliance with RPS requirements.

2. Should there be a weighting system based on objectives? multipliers or tiered approach?

- It is common practice in other states to design RPS policies in a way that encourage the in-state development of a diverse set of renewable energy resources, including both centralized plants and small-scale distributed generation systems. It is also common to specifically include policies that encourage in-state development of solar energy systems, because of solar energy’s relatively benign environmental impact, and because of the relatively higher economic development impact associated with the growth of a vibrant in-state solar energy market.

- A tiered approach (“carve-out”) has proven to be more effective than a multiplier approach in encouraging investment in solar energy systems. Successful examples include New Jersey, Colorado, Pennsylvania, DC and Arizona (though the latter suffers from weak enforcement provisions). As a further example of this trend, Maryland recently amended their RPS to include an explicit requirement
for solar REC’s, a change that has spurred strong interest by the solar industry in that state.

- A further argument in favor of a tiered approach (vs. a multiplier approach) is that a tiered approach will not affect the overall target for the RPS, whereas a multiplier will have the effect of reducing the total amount of renewable energy that is delivered under the RPS.

3. Should there be a safety valve, such as an alternative compliance payment? Who administers? Use of funds? Recovery for IOUs?

- A well-designed ACP is a key factor in achieving a successful RPS. The ACP price level must be set at a level well above the expected price of REC’s (or solar REC’s in the case of an RPS with an explicit solar-share).

- We recommend that the PSC periodically (at least annually) review RPS compliance reports (from third-party REC registry service) and notify obligated parties (electric suppliers) of any shortfall and resulting ACP.

- We recommend that the ACP funds collected be used to fund ongoing renewable energy project grant managed by Florida DEP. For solar REC shortfalls, we recommend that the ACP funds collected be used specifically for supplemental funding for the Florida DEP’s Solar Energy Systems Incentive Program, which provides rebates for small-scale solar energy systems.

- We recommend that the ACP payments be recoverable, provided that energy suppliers are able to demonstrate a good-faith effort has been made to procure REC’s or solar REC’s at a price lower than the ACP. Such good-faith demonstration would at a minimum include public solicitations for long-term REC supply agreements.

4. Should self-service generation be counted toward goals?

- Self service generation should be counted toward the goal, provided that it results from new capacity or incremental capacity from renewable generation facilities. Under a REC-based systems, such self-service generation would still be required to register REC’s and energy suppliers would be required to purchase those REC’s.

5. Should out-of-state RECs be counted? Regional limitation? Requirement that energy be delivered to Florida? Coordination to prevent double counting?

- Out of state REC’s should be eligible for RPS compliance, though we would recommend provisions similar to the PJM RPS statutes that require energy to be delivered to the regional pool.
- We would recommend that for the solar share/tier of an RPS, that some restrictions be included to encourage in-state investment in distributed solar energy systems (with economic development as an important objective).

- Double counting can be avoided through the use of a third-party registry service, who will track trading and ensure that REC’s are sold and retired appropriately.

6. What flexibility measures should be allowed? Banking? Borrowing? True-up period?

- We recommend that the RPS include provisions for multi-year banking, borrowing and a true-up period to provide energy suppliers and renewable project developers with additional flexibility in meeting the RPS objectives, without affecting the overall RPS targets.

7. How often should utilities be reviewed? Annual or other interim goals

- We recommend that utilities be reviewed at least once per year.

8. What is the best way to ensure compliance? Penalties versus guidelines

- We believe that firm targets, backed by penalties for non-compliance, are required to achieve RPS goals. Such firm targets and penalties are also critical to provide renewable energy investors with confidence in the RPS market. Guidelines per se have proven ineffective in many cases (e.g. Arizona) and would not provide necessary certainty to renewable energy customers and project investors.

9. Penalty-specific issues: How should penalties be applied? How should funds be used? Who administers the funds? Force majeure exceptions? Should IOUs receive recovery?

- See above, Question #3

10. Should we establish a baseline of current renewables? If so, what counts toward baseline?

- While we support establishing a baseline for informational purposes, we recommend that eligibility for REC’s and solar REC’s be limited to renewable energy generators that are not included in the current baseline.

11. What reporting requirements are needed?

- We recommend that a third-party REC registry service be used for the purpose of registering REC’s, ensuring REC eligibility, and tracking trades of REC’s. AllREC transactions associated with the RPS should be required to be documented through this third party registry service. We recommend that this registry maintain a “real-time” database that is accessible by REC buyers, sellers and
regulators. This third party registry service will also provide the PSC with periodic compliance reports.

12. Should there be a process to review the RPS? Automatic process such as conservation goals proceedings (review every 5 years)? Ongoing review with no automatic process

- We would support a periodic (e.g., every 5 year) review provided that this does not shake investors’ confidence in the market. For example, such a review might review actual solar energy system deployment in the state resulting from the RPS, and suggest ways to improve the pace of investment, while at the same time carefully communicating to the investment community that the RPS targets will not be relaxed.
APPENDIX 1 – EXCERPT FROM PREVIOUSLY-FILED COMMENTS

Structure of the RPS Goal

The simplest method is to base the standard on the percentage of total electricity sold in a given period. As per Executive Order 127, we recommend a goal of 20% by 2020 for new renewables.

Provisions for solar

We recommend an explicit “solar share” to ensure that distributed solar PV and solar thermal are included to a significant extent in the RPS and therefore accomplish the goals set by the Governor in his Executive Order.

Specifically, we recommend the following:

i. 2% of all electricity sales be provided by solar PV or offset by “solar renewable energy credits” by 2020

ii. 2% of all electricity sales be offset by “solar renewable energy credits” from solar thermal by 2020

The goals would be ramped in slowly during the initial years and would escalate more rapidly as the state’s solar industry begins to mature.

Currently, thirteen states have specific provisions for solar or distributed generation. Of these, twelve states use a set-aside similar to the one we propose. Experience in other states has demonstrated clearly that an explicit solar share is the most efficient and effective way to ensure that solar markets develop under the RPS structure.

An alternative to the set-aside is a “multiplier”, though they are not necessarily mutually exclusive (for example, Nevada and Delaware have both). A multiplier tends to reduce the total amount of renewable energy procured to comply with the RPS, while providing no apparent benefits to diversity. More importantly, the states that have adopted multipliers have not seen significant solar additions.
In general, states have begun to move towards set-asides (including Maryland, New Mexico, and North Carolina this year) in order to create a more predictable market. If the Commission decides to consider multipliers for solar and other distributed generation technologies, we’d strongly recommend that this be done in conjunction with a set-aside.

As an appendix, we include a white paper developed by Vote Solar that provides further detail on these proposed solar goals.

**RPS Compliance**

**Renewable Energy Credits**

We recommend that “Renewable Energy Credits” (RECs) and “Solar Renewable Energy Credits” (SRECs) be used for compliance. This is the most efficient mechanism for ensuring compliance with RPS requirements and in providing a mechanism for innovative financing for renewable energy projects.

For the solar share, we recommend that eligibility for the associated SRECs be limited to distributed generation solar; i.e. power supplied to the distribution grid that does not flow to the transmission grid.

**REC Lifetime**

We recommend that the life of a REC be 3 years. This will provide greater flexibility in financing projects with RECs, particularly in the early stages of the program.

**Solar REC Contract Provisions**

We recommend that the Commission require that SRECs be purchased under long-term contracts. The purpose of this requirement is to provide investors of solar energy systems with greater long term revenue certainty that will in turn result in substantially lower SREC prices.

**Provisions for Small-Scale Solar**
A robust solar market for small commercial and residential solar will maximize the in-state economic benefits, support small business growth, and reinforce grass-roots political support. Small commercial customers and homeowners generally lack access to sophisticated financing mechanisms. Therefore, these customers generally need a single upfront payment in order to enable their participation in the solar market. States with programs to support small commercial and residential solar markets have used a number of methods to fund these programs, including a portfolio requirement (e.g. California has earmarked funding for small systems), or continuation of a supplementary rebate for small systems (e.g. New Jersey, Maryland, and Colorado).

**RECs from Voluntary Green Power Programs**

RECs associated with voluntary green power programs should not be allowed for use in RPS compliance. Customers that invest in voluntary green power programs expect to be contributing to renewables above and beyond what is already mandated and should therefore be additional to state RPS mandates.

**RPS Enforcement**

RPS targets should be considered as a firm requirement with a provision for an “alternative compliance payment” (or ACP), which would be required for each MWh of shortfall versus a utility’s compliance requirements.

The ACP should be set by the PSC at a level that is conservatively higher than the expected market price for Renewable Energy Credits (RECs).

**Solar Component of RPS Enforcement**

The implementation of the “solar share” requirement will result in separate “Solar RECs” or SRECs that are produced by solar generating systems, which are then purchased by utilities for compliance with the “solar share” requirements. The expected market price for SRECs is significantly higher than expected market price for non-solar RECs. It is therefore important that a solar-specific ACP be set by the Commission.

We further recommend that the Commission set ACP and Solar ACP levels for at least 5 years. This will provide REC and SREC purchasers with greater certainty about long term RPS market
conditions that will in turn result in significantly lower risk premiums (and therefore lower REC and SREC prices).