State-Federal RPS Collaborative Webinar

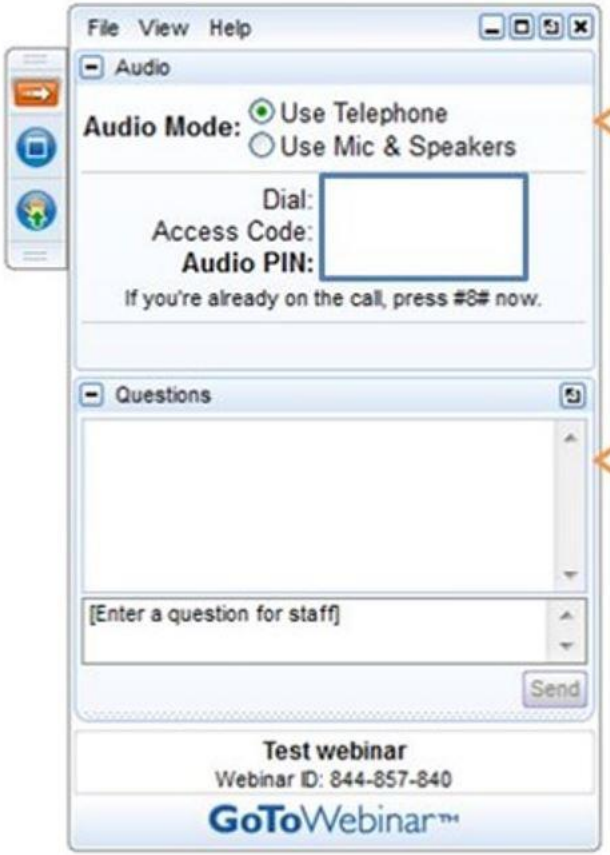
A Status Update on Renewable Portfolio Standards

Hosted by
Warren Leon, Executive Director, CESA

Thursday, November 6, 2014

CleanEnergy States Alliance

Housekeeping



All participants are in "Listen-Only" mode. Select "Use Mic & Speakers" to avoid toll charges and use your computer's VOIP capabilities. Or select "Use Telephone" and enter your PIN onto your phone key pad.

Submit your questions at any time by typing in the Question Box and hitting Send.

This webinar is being recorded.

You will find a recording of this webinar, as well as all previous CESA webcasts, archived on the CESA website at

www.cesa.org/webinars

About CESA

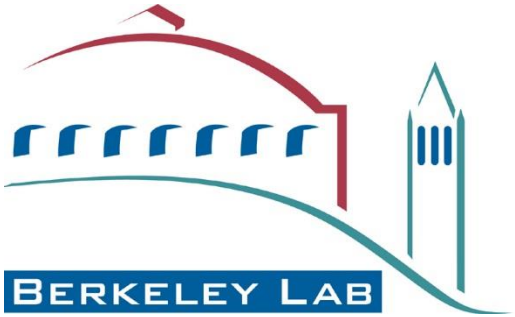
Clean Energy States Alliance (CESA) is a national nonprofit organization working to implement smart clean energy policies, programs, technology innovation, and financing tools, primarily at the state level. At its core, CESA is a national network of public agencies that are individually and collectively working to advance clean energy.

State-Federal RPS Collaborative

- With funding from the Energy Foundation and the US Department of Energy, CESA facilitates the **Collaborative**.
- Includes **state RPS administrators**, **federal agency representatives**, and other stakeholders.
- Advances dialogue and learning about RPS programs by **examining the challenges and potential solutions** for successful implementation of state RPS programs, including **identification of best practices**.
- To sign up for the Collaborative listserve to get the **monthly newsletter** and announcements of **upcoming events**, see: www.cesa.org/projects/state-federal-rps-collaborative

Today's Guest Speaker

Galen Barbose, Staff Research Associate,
Electricity Markets and Policy Group,
Lawrence Berkeley National Laboratory (LBL)



Environmental Energy Technologies Division Lawrence Berkeley National Laboratory

Renewables Portfolio Standards in the United States: A Status Update

Galen Barbose

Lawrence Berkeley National Laboratory

Clean Energy States Alliance Webinar

November 6, 2014

This analysis was funded by the National Electricity Delivery Division of the Office of Electricity Delivery and Energy Reliability and by the Solar Energy Technologies Office of the Office of Energy Efficiency and Renewable Energy of the U.S. Department of Energy under Contract No. DE-AC02-05CH11231.

Summary of State RPS Experience-to-Date

- State RPS policies have been a significant driver for renewable energy growth in the United States
- Significant growth in RE capacity required to meet future RPS targets, but well in-line with pace of additions in recent years and with pipeline currently under development
- Generally high levels of compliance achieved, though shortfalls beginning to materialize in some regions
- Compliance costs thus far relatively modest, and although increasing targets may put upward pressure on costs, growth in RPS costs will be limited by cost caps in most states

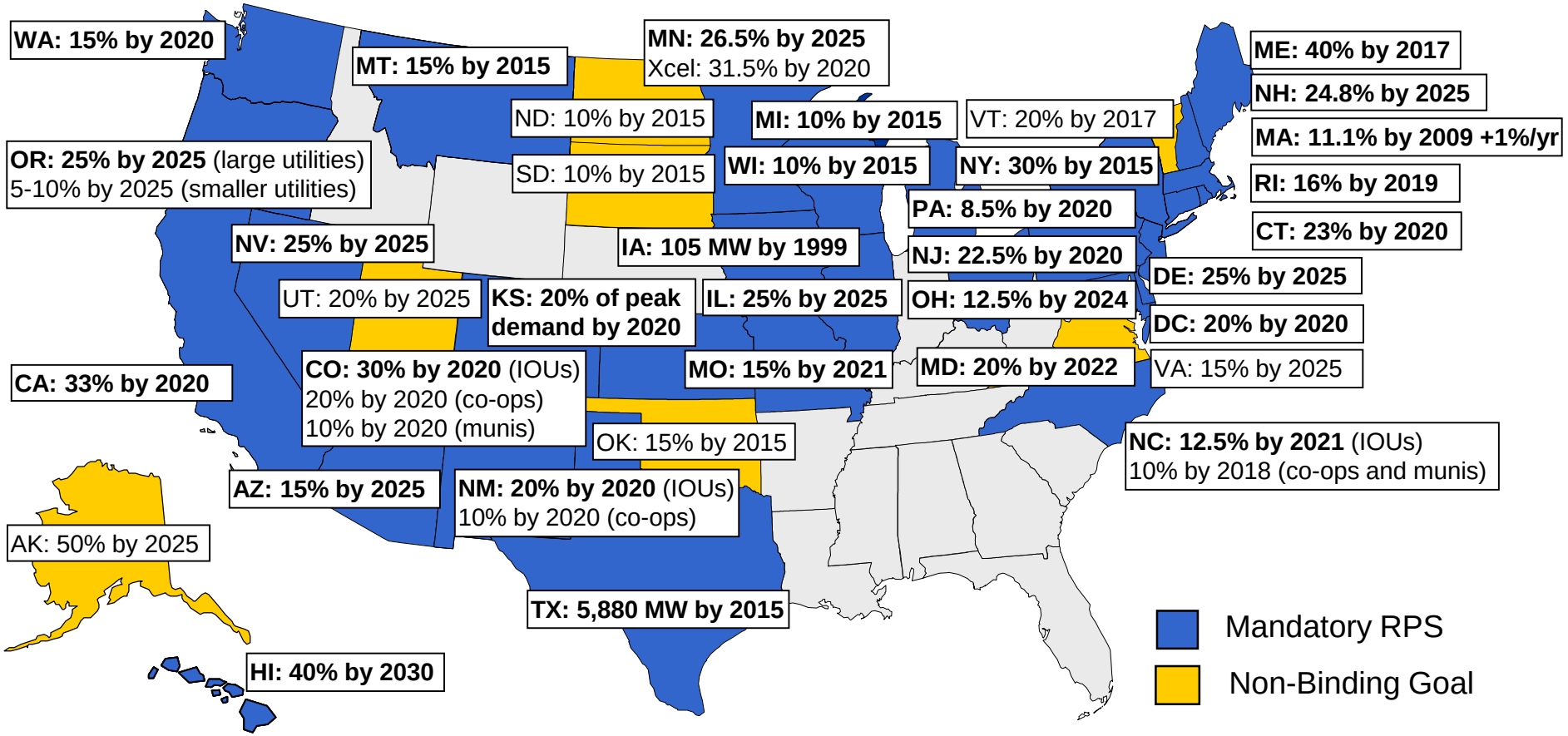
Outline

- **RPS policy landscape**
- Impacts on RE development
- Future RPS demand
- Compliance
- Costs
- Outlook

RPS Policies Exist in 29 States and DC

7 More States Have Non-Binding Goals

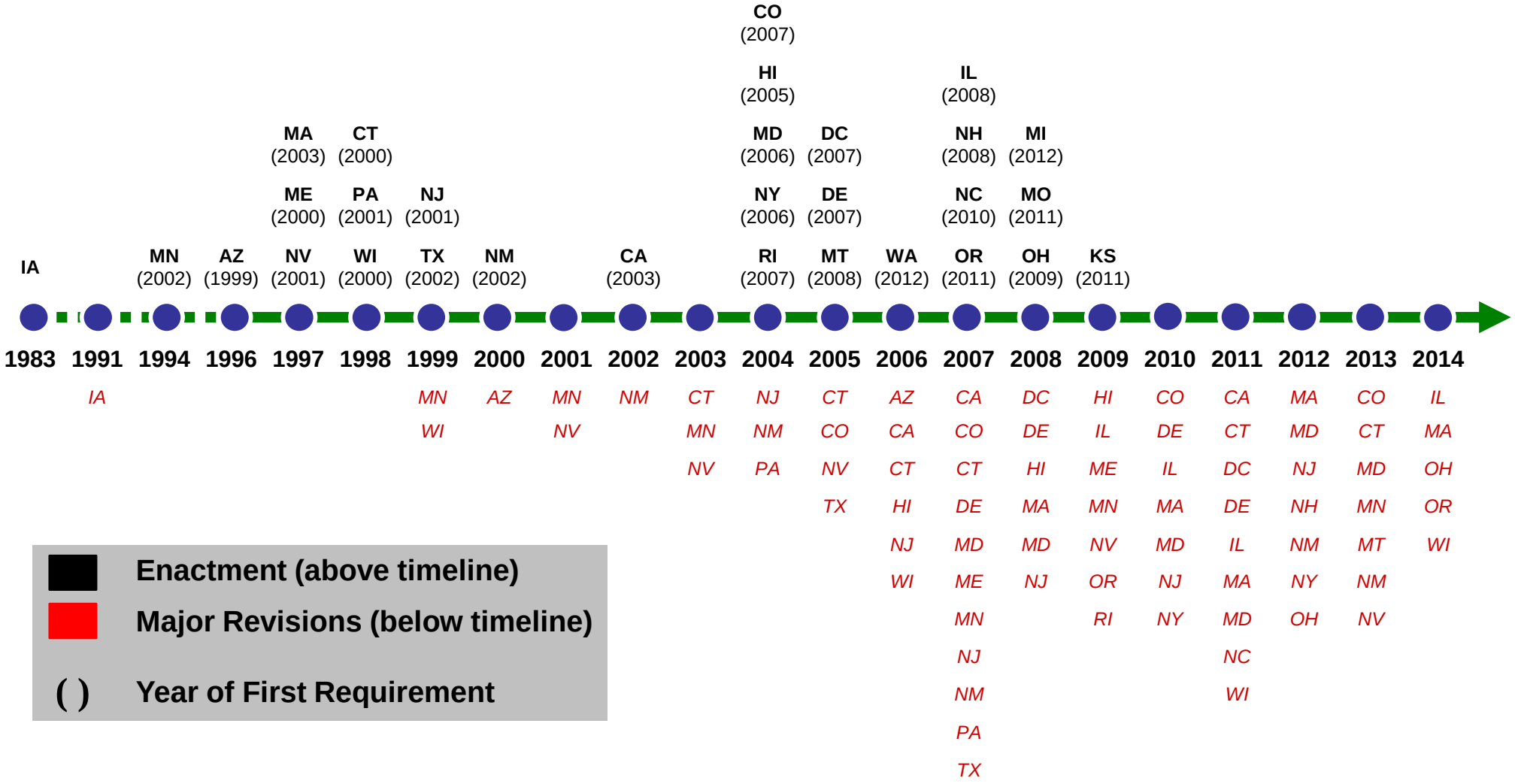
Existing State RPS Policies Apply to 56% of Total U.S. Retail Electricity Sales in 2013



Source: Berkeley Lab

Notes: Compliance years are designated by the calendar year in which they begin. Mandatory standards or non-binding goals also exist in US territories (American Samoa, Guam, Puerto Rico, US Virgin Islands)

Enactment of New RPS Policies Has Waned, but States Continue to Hone Existing Policies



RPS Program Design Developments in 2014

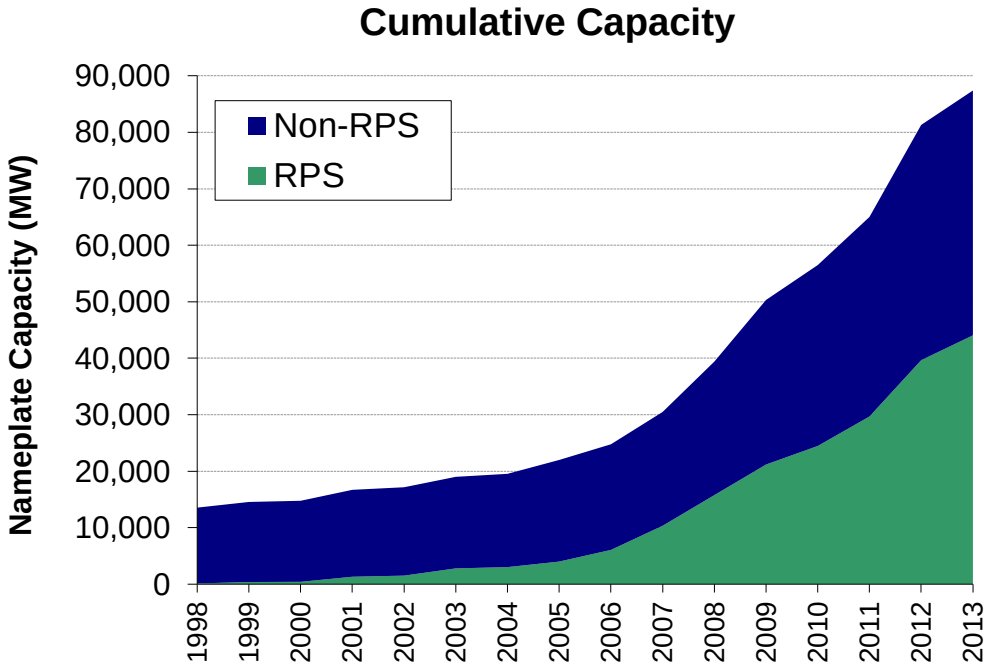
- **IL:** Authorized IPA to procure PV with $30M existing ACP funds
- **MA:** Issued final rules for SREC II program; added renewable fuels to alternative energy standard
- **OH:** Froze RPS (and EERS) for two years, eliminates requirement for 50% in-state resources, other changes (e.g., cost disclosure)
- **OR:** Increased allowed usage of unbundled RECs by large public utilities (up to 75% of final RPS target)
- **WI:** Froze RPS for several individual utilities
- **Continuing refinement of eligibility rules:** WA, WI, others

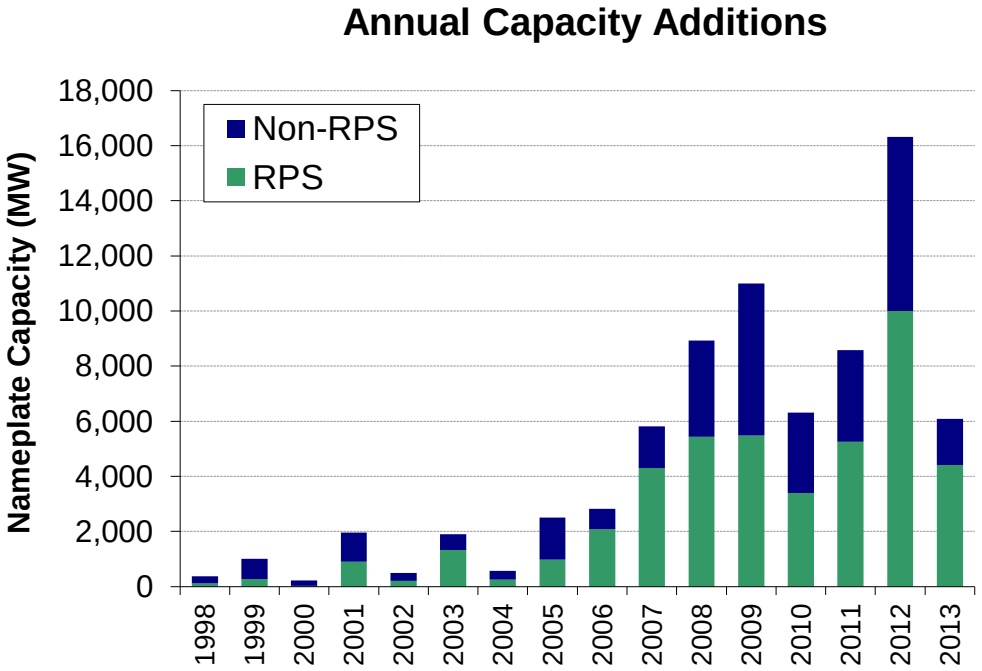
Outline

- RPS policy landscape
- **Impacts on RE development**
- Future RPS demand
- Compliance
- Costs
- Outlook

State RPS Policies Appear to Have Motivated Substantial Renewable Capacity Development

Cumulative and Annual Non-Hydro Renewable Energy Capacity in RPS and Non-RPS States, Nationally





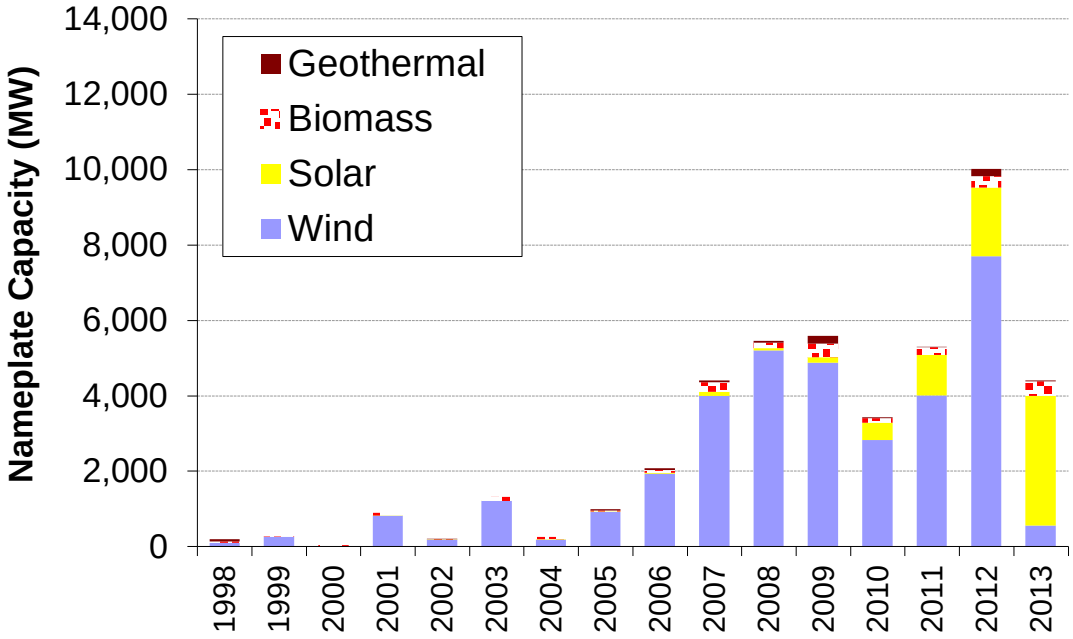
Though not an ideal metric for RPS-impact, **60%** (**45 GW**) of all non-hydro renewable capacity additions from 1998-2013 are under-contract or owned by entities with RPS obligations and entered operation after RPS enactment

BERKELEY LAB

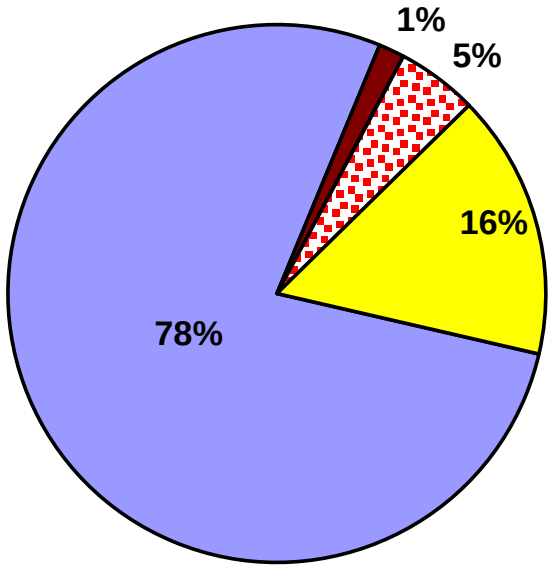
State RPS' Have Largely Supported Wind, Though Solar Has Become More Prominent

RPS-Related* Renewable Energy Capacity Additions from 1998-2013, by Technology Type

Annual RPS Capacity Additions



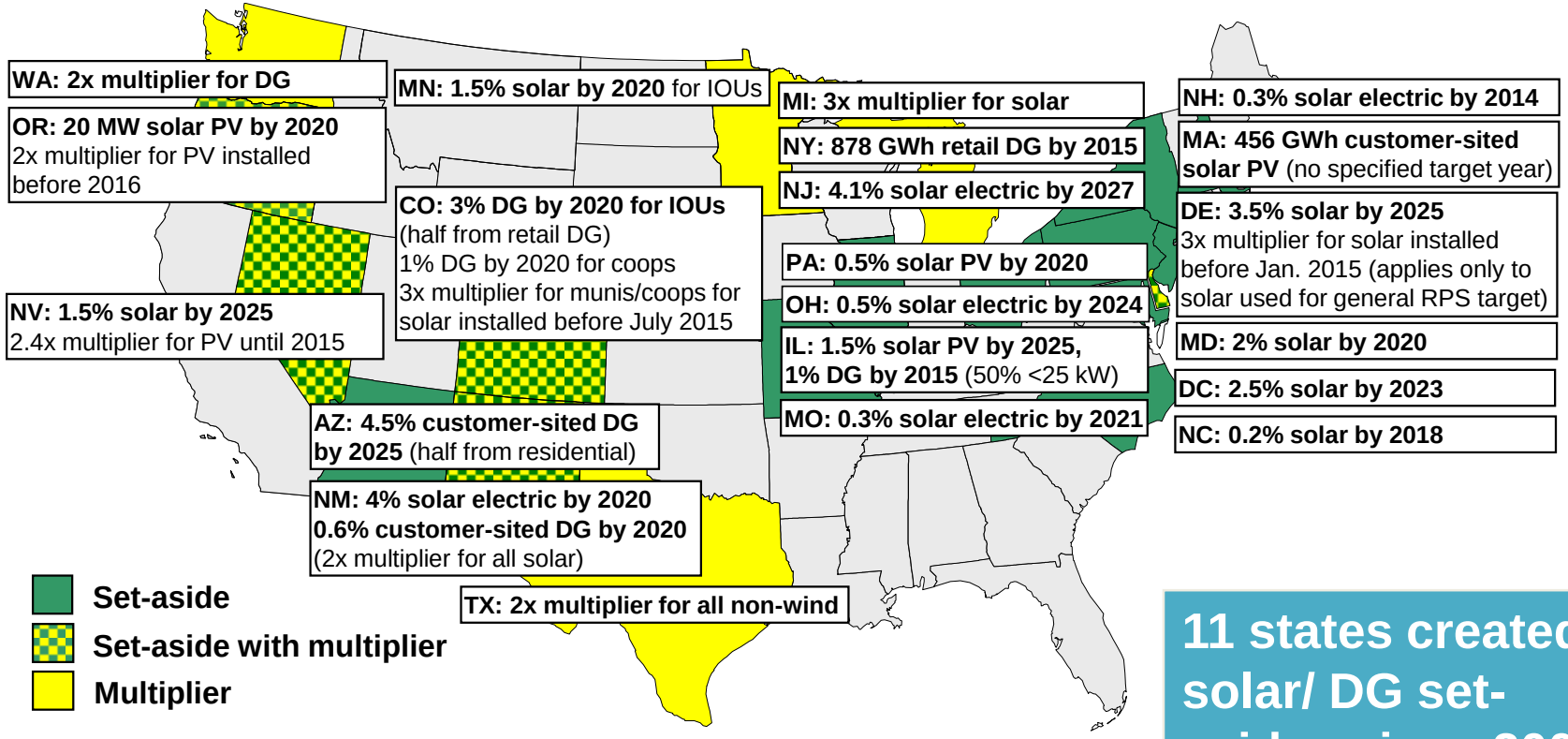
Cumulative RPS Capacity Additions



** Renewable additions are counted as "RPS-related" if and only if the entity receiving RECs from the project is subject to RPS obligations, and the project commenced operation after enactment of the RPS. On an energy (as opposed to capacity) basis, wind energy represents approximately 76%, biomass 12%, solar 8%, and geothermal 4% of cumulative RPS-related renewable energy additions, if estimated based on assumed capacity factors.*

Solar and DG Set-Asides Have Proliferated

17 states + D.C. have solar or DG set-asides, sometimes combined with credit multipliers; 3 other states only have credit multipliers



Source: Berkeley Lab

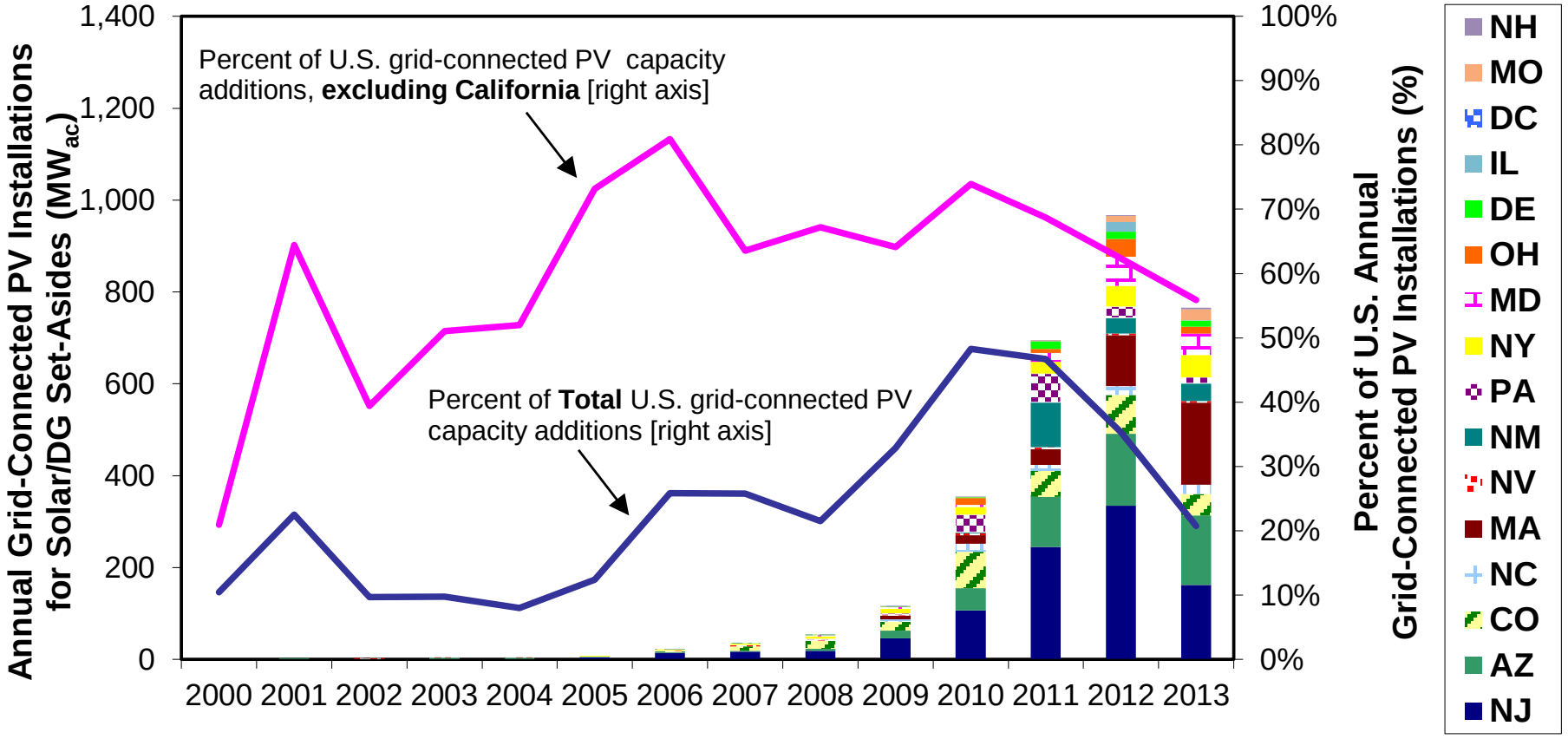
Note: Compliance years are designated by the calendar year in which they begin

Differential support for solar/DG also provided via long-term contracting programs (CT, DE, NJ, RI) and via up-front incentives/SREC payments

11 states created solar/ DG set-asides since 2007:
DE, IL, MA, MD, MO, MN, NC, NH, NM, OH, OR

Impact of Solar/DG Set-Asides is Substantial:
60-80% of Non-CA PV Additions Since 2005

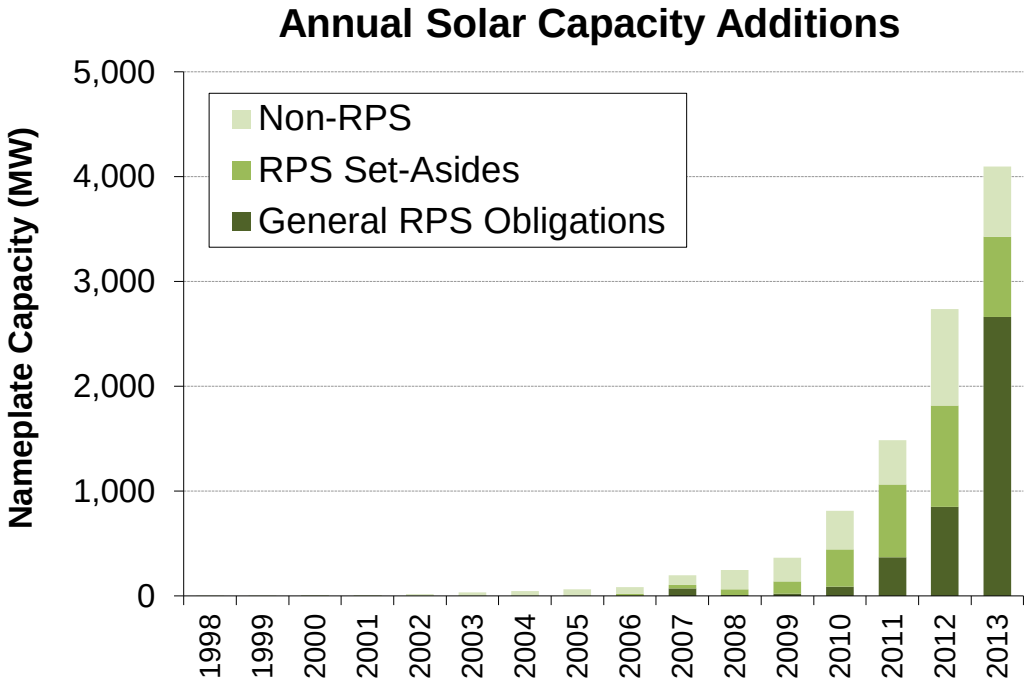
Dip in set-aside capacity additions in 2013 reflects depressed SREC pricing and reduced or eliminated incentives in a number of states

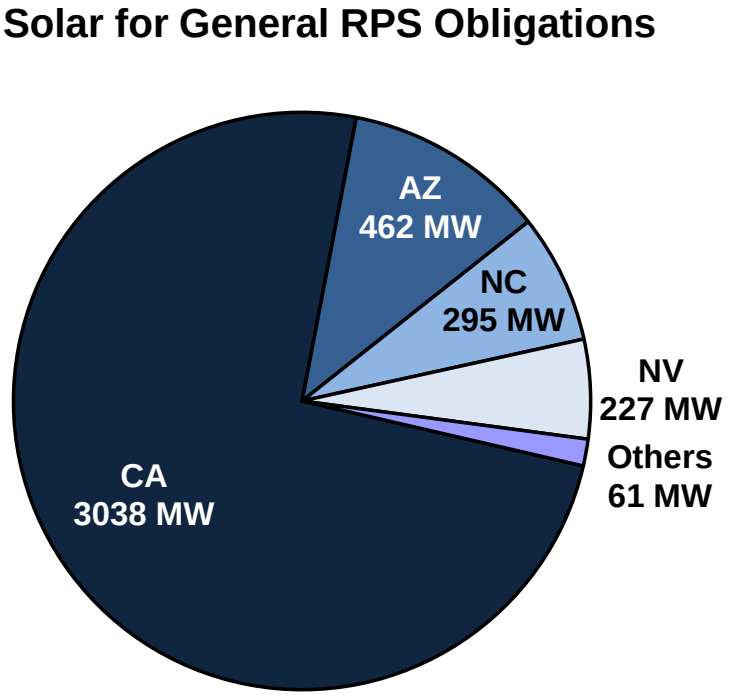


**PV capacity additions are attributed to the solar/DG set-aside only if installation occurred no more than one year before commencement of set-aside compliance obligations in the host state and if eligible for the set-aside and not attributed general RPS obligations.*

General RPS Obligations Also Driving Significant Solar Additions in California and Elsewhere

Sizable number of large solar projects (9 PV + 2 CSP, 100-300 MW each) added to meet general RPS obligations in CA & AZ in 2013





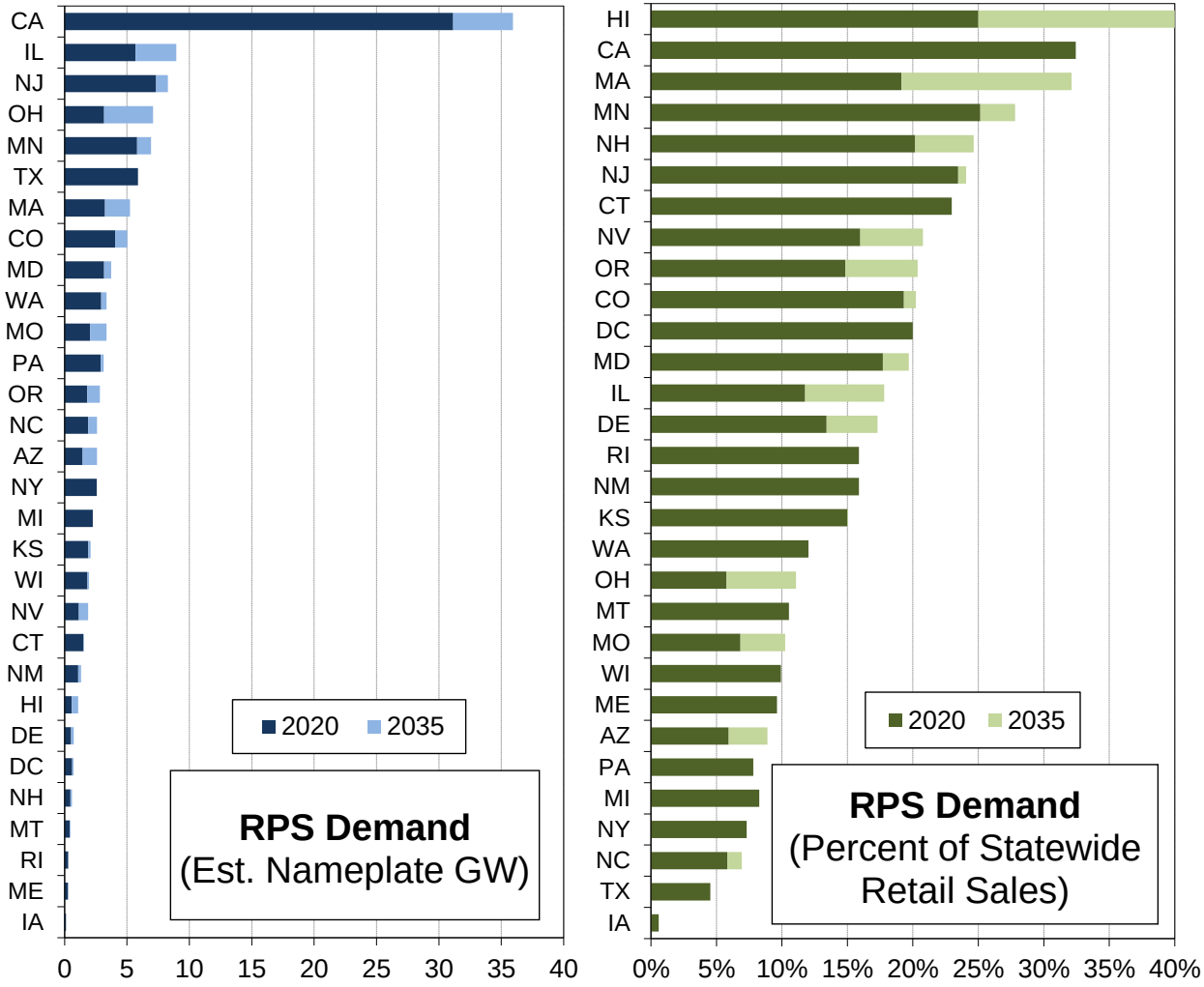
Substantial solar capacity in excess of set-aside requirements also built and applied towards general obligations in NC and NV

Outline

- RPS policy landscape
- Impacts on RE development
- **Future RPS demand**
- Compliance
- Costs
- Outlook

Future RPS Requirements are Sizable, But Within Recent RE Growth Rates

- Total of **98 GW** of RE capacity required by 2020 (**123 GW** by 2035)
- Depending on availability of existing RE capacity, RPS will require incremental build of **3-7 GW/yr** through 2020 and 1-2 GW/yr thereafter
- By comparison, RPS-driven additions averaged ~**6 GW/yr** since 2008 (10 GW/yr for all RE)

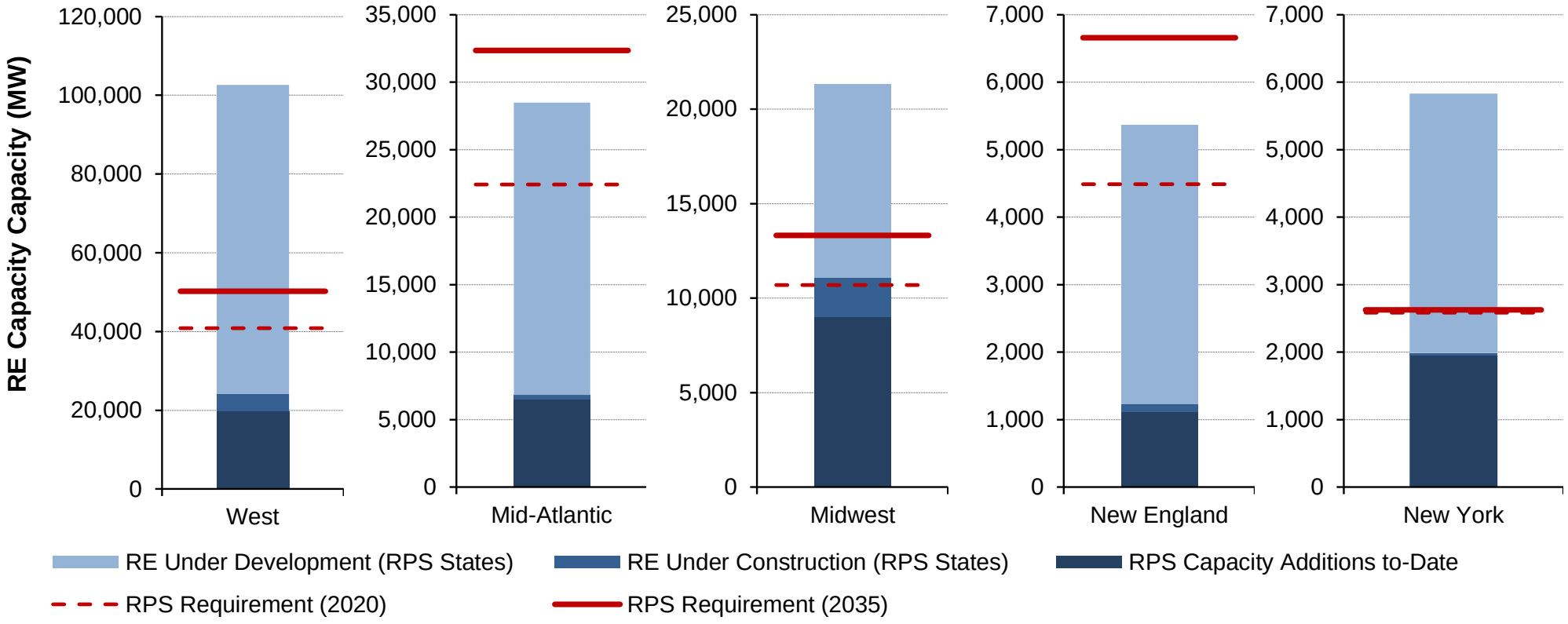


Note: Values shown in figures represent required renewable capacity beyond what was supplied to each state at the time its RPS was enacted. The values do not represent incremental renewables required relative to current supply.

BERKELEY LAB

RE Currently Under Development May Be Enough to Meet Future RPS Demand in Some Regions

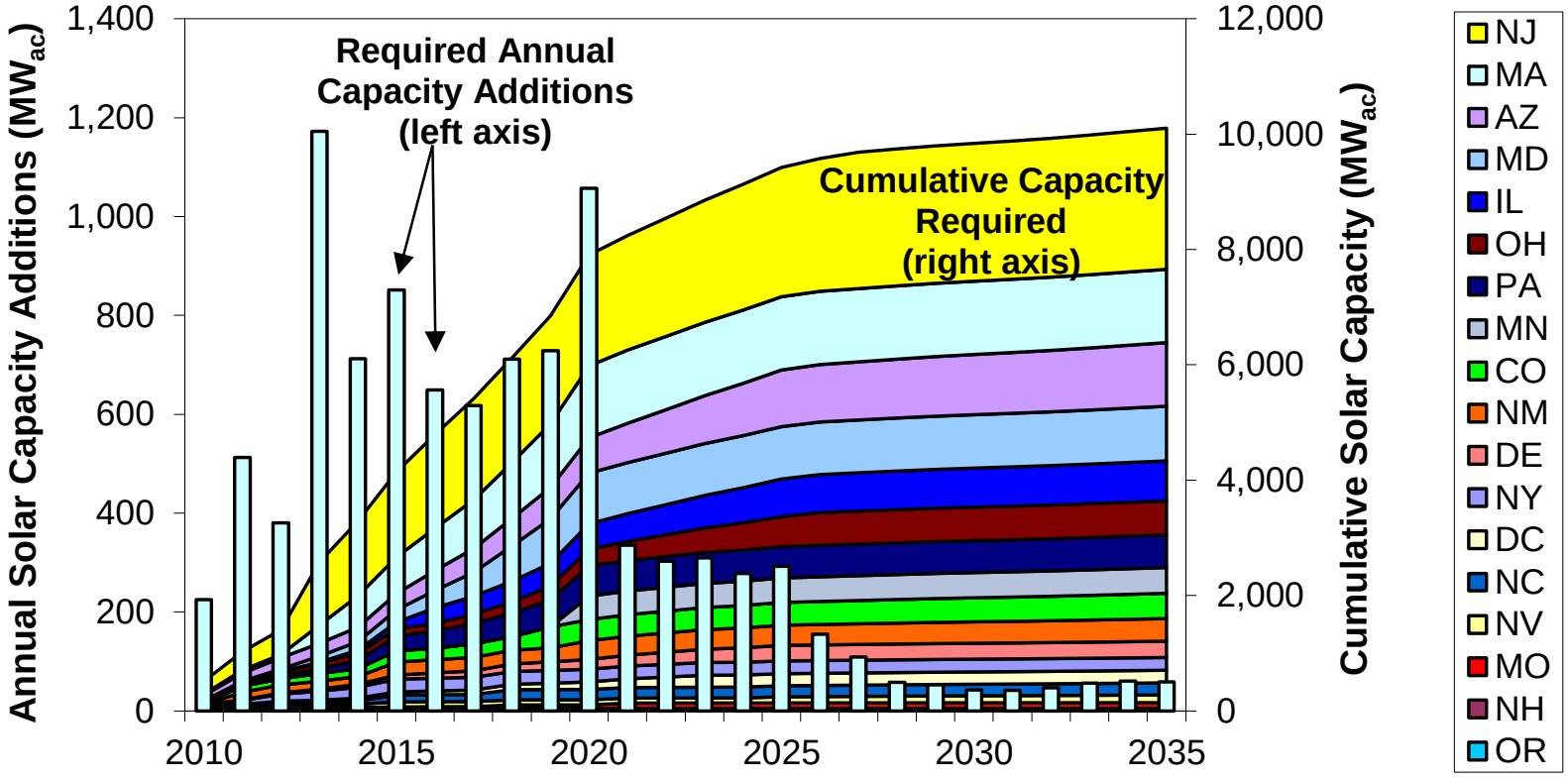
Future RPS Requirements Compared to Current RPS Supply plus New RE Capacity Under Construction and Under Development



Notes: RE under development and under construction refer only to RPS states within each region and therefore do not include additional new RE from other states in the region or from outside the region. RPS requirements in MW terms reflect regionally specific assumptions about RPS resource mix and capacity factors. Data source for RE Under Construction and Under Development: SNL Energy.

Solar Market Growth is on Pace to Meet Future Solar/DG Set-Aside Requirements

- Requirement grows to **8,000 MW by 2020** and 10,000 MW by 2035
- Given existing supply, will require average annual solar capacity additions of **650 MW/yr through 2020**, tapering off thereafter
- By comparison, PV additions for set-asides averaged 800 MW/yr in 2011-2013

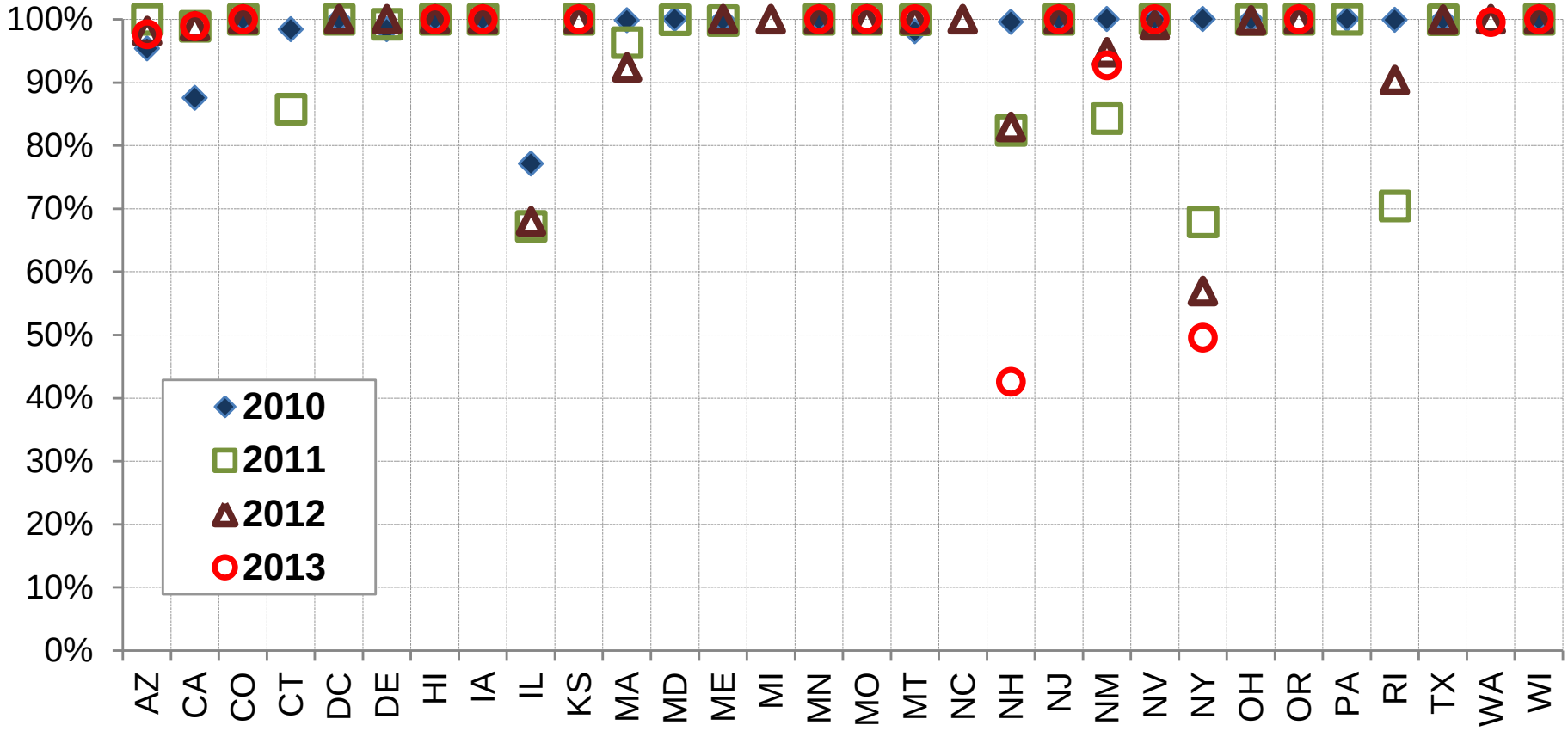


Outline

- RPS policy landscape
- Impacts on RE development
- Future RPS demand
- **Compliance**
- Costs
- Outlook

Main Tier RPS Targets Largely Achieved

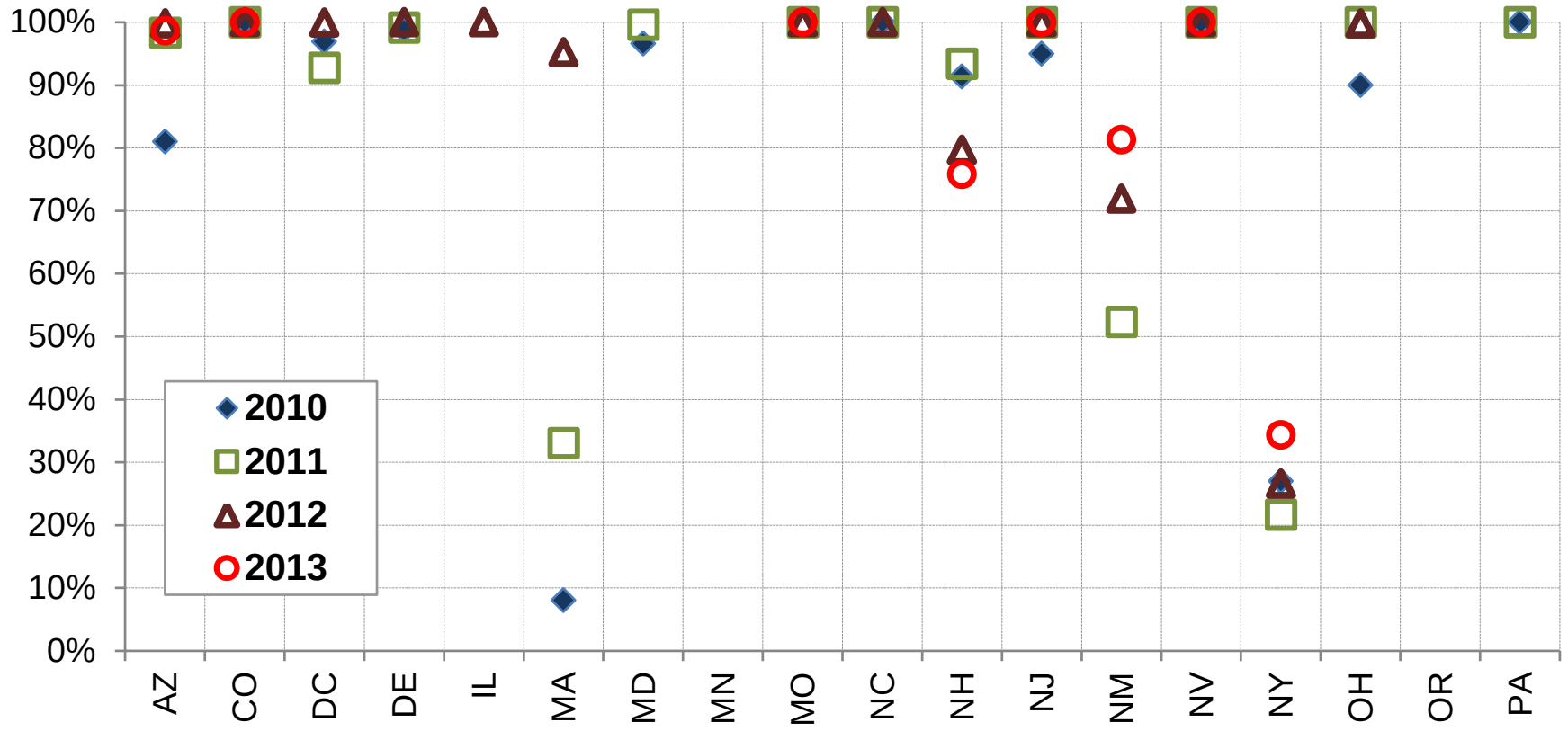
Percent of Main Tier RPS Target Met with Renewable Electricity or RECs
(including available credit multipliers and banking, but excluding ACPs)



Note: Percentages less than 100% do not necessarily indicate that "full compliance" was not technically achieved, because of ACP compliance options, funding limits, or force majeure events.

Achievement of Solar/DG Set-Aside Targets Has Also Generally Been High or Increasing

Percent of Solar/DG Set-Aside Target Met with Solar/DG Electricity or SRECs
(including available credit multipliers and banking, but excluding ACPs)



Note: "Percent of Solar/DG Target Met with Solar/DG Electricity or RECs" excludes ACPs but includes applicable credit multipliers. In cases where this figure is below 100%, suppliers may not have been technically out of compliance due to solar ACP compliance options, funding limits, and force majeure provisions.

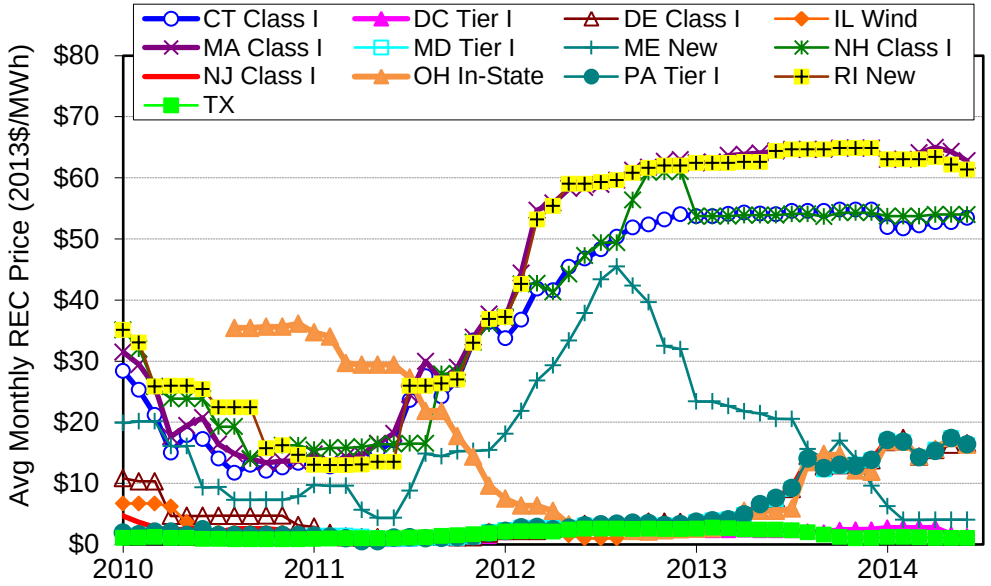
Outline

- RPS policy landscape
- Impacts on RE development
- Future RPS demand
- Compliance
- **Costs**
- Outlook

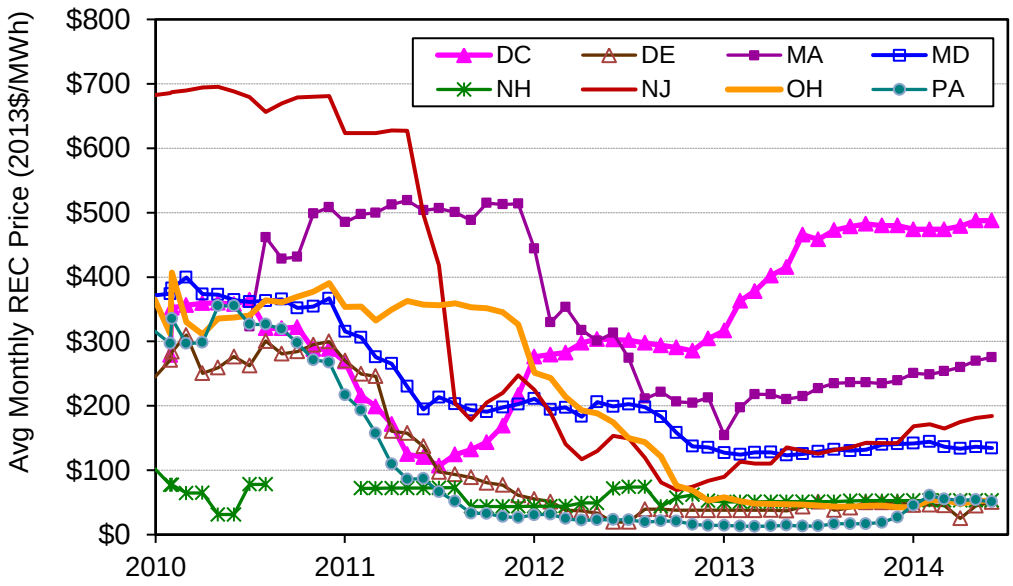
RPS Costs in Restructured States Are Partly a Function of REC Prices

- Rising Class I REC prices in Northeastern states reflect tightening supply, while pricing in Mid-Atlantic states and TX remain low
- Depressed SREC prices in most states show enduring over-supply of solar, muting the cost impacts of rising set-aside targets

Main Tier/Class I RECs



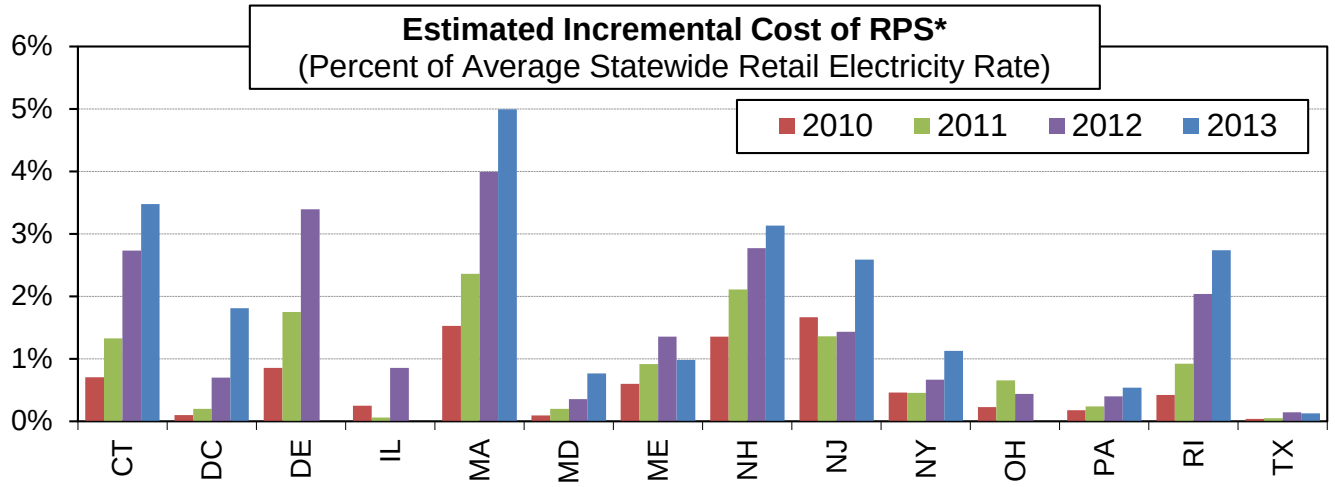
SRECs



Sources: Spectron, SRECTrade, Flett Exchange, PJM-GATS, and NJ Clean Energy Program. Depending on the source used, plotted values are either the mid-point of monthly average bid and offer prices, the average monthly closing price, or the weighted average price of all RECs transacted in the month, and generally refer to REC prices for the current or nearest future compliance year traded in each month.

Restructured States: REC + ACP Costs Typically <3% of Average Rates, But Are Rising

RPS compliance costs in restructured states can be approximated by REC + ACP costs and expressed as a fraction of average retail electricity rates



** Incremental costs are estimated from REC and ACP prices and volumes for each compliance year, which may differ from calendar years. If available, REC prices are based on average prices reported by the PUC (DC, IL, MD, ME, OH, NJ, PA); they are otherwise based on published spot market prices, supplemented with data on long-term contract prices where available. Incremental costs for NY are based on NYSERDA's annual RPS expenditures and estimated REC deliveries.*

Simplified approach: Ignores some ratepayer costs (e.g., integration) and benefits (e.g., wholesale electricity and natural gas price suppression); may overstate costs to ratepayers in states where ACP costs are not passed through

Differences across states and years reflect:

- RPS target levels
- Underlying REC and ACP prices
- Mix of resource tiers

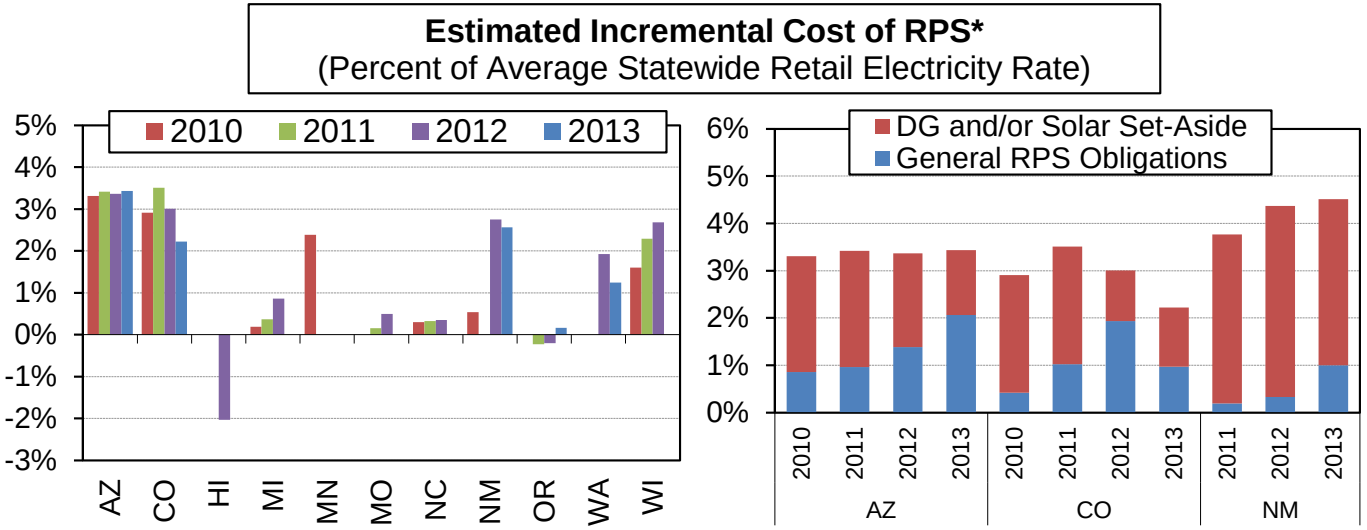
Rising costs in some states due to:

- Increasing targets
- Elevated REC prices (esp. in Northeast)

BERKELEY LAB

Regulated States: Varying Methods Generally Show Estimated Costs <3% of Average Retail Rates

Utility and PUC cost estimates rely on varying methods but can nevertheless be compared



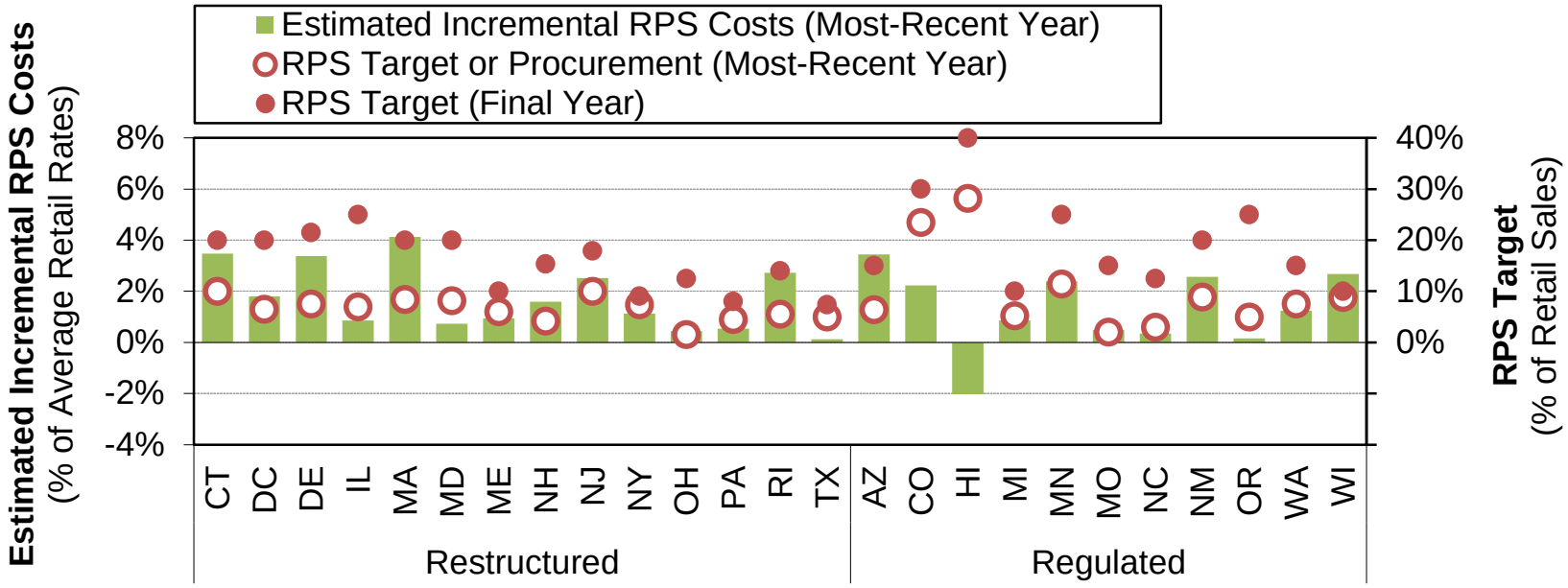
** Incremental costs are based on utility- or PUC-reported estimates and are based on either RPS resources procured or RPS resources applied to the target in each year. Data for AZ include administrative costs, which are grouped in "General RPS Obligations" in the right-hand figure. Data for CO are for Xcel only. Data for NM in the left-hand figure include SPS and PNM in all years shown, but data in right-hand figure include only SPS. States omitted if data on RPS incremental costs are unavailable (CA, IA, KS, MT, NV).*

Utility/PUC estimates of incremental RPS costs typically based on comparisons of RE procurement costs to proxy non-RE generators or to wholesale prices, or via system modeling

- Relatively high costs in AZ, CO, and NM due partly to solar/DG set-aside costs, where costs are front-loaded
- Low costs in states with low RPS targets during analysis period and/or where targets met primarily with pre-existing renewables
- Net savings estimated in HI, OR

Rising RPS Targets Could Put Upward Pressure on Future Compliance Costs

The figure shows RPS costs for the most-recent year along with recent and final RPS targets



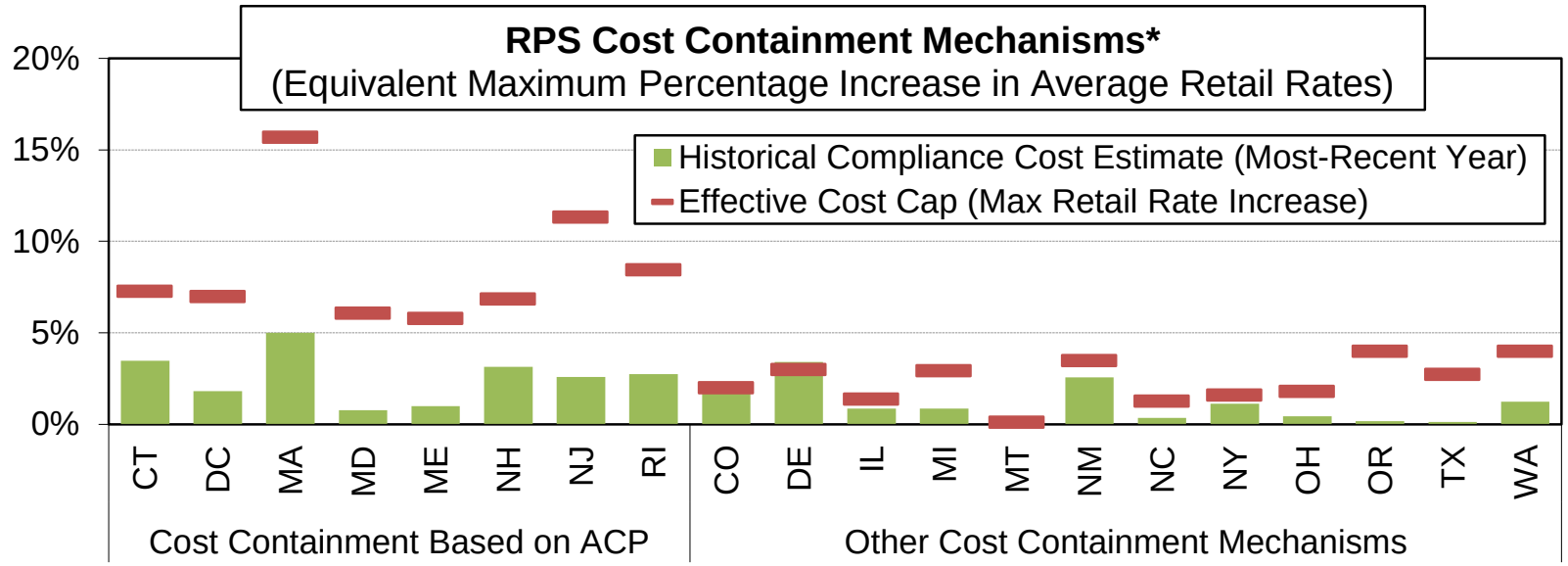
** For most states shown, the most-recent year RPS cost and target data are for 2012 or 2013. MA does not have single terminal year for its RPS; the final-year target shown is based on 2020. Excluded from the chart are those states without available data on historical incremental RPS costs (CA, KS, HI, IA, MT, NV). The values shown for RPS targets and costs exclude any secondary RPS tiers (e.g., for pre-existing resources). For most regulated states, data for the most-recent historical year reflect actual RPS procurement percentages in those years .*

- Final-year RPS targets (closed circles) constitute, on average, roughly a three-fold increase in RPS obligations compared to most-recent year targets (open circles)
- Future RPS costs will depends on many factors: RE technology costs, natural gas prices, federal tax incentives, environmental regulations, and RPS cost caps

BERKELEY LAB

Most States Have Capped Rate Impacts Below 10% and Many Below 5%

The figure compares each state's "effective" cost cap with actual costs for the most-recent year



** For states with multiple cost containment mechanisms, the cap shown here is based on the most-binding mechanism. MA does not have a single terminal year for its RPS; the calculated cost cap shown is based on RPS targets and ACP rates for 2020. "Other cost containment mechanisms" include: rate impact/revenue requirement caps (DE, KS, IL, NM, OH, OR, WA), surcharge caps (CO, MI, NC), renewable energy contract price cap (MT), renewable energy fund cap (NY), and financial penalty (TX). Excluded from the chart are those states currently without any mechanism to cap total incremental RPS costs (AZ, CA, IA, HI, KS, MN, MO, NV, PA, WI), though some of those states may have other kinds of mechanisms or regulatory processes to limit RPS costs.*

- Where ACPs used, they generally cap costs at 6-9% of average retail rates
- Among states with some other form of cost containment, effective cost caps are more restrictive (1-4%) and have already become binding in several states

Outline

- RPS policy landscape
- Impacts on RE development
- Future RPS demand
- Compliance
- Costs
- **Outlook**

The Future Role and Impact of State RPS Programs Will Depend On…

- The outcome of ongoing and future legislative and legal challenges
- Outcome of EPA carbon emissions regulations
- Whether cost caps become binding (which in turn depends on RE costs, gas prices, PTC/ITC, etc.)
- How other related issues and barriers affecting RE deployment are addressed (transmission, integration, siting, net metering, etc.)
- How policymakers re-tune RPS' in response to all of the above and to changing market conditions more generally

Thank You!

For further information:

LBNL RPS publications and resources:
rps.lbl.gov

LBNL renewable energy publications:
emp.lbl.gov/reports/re

Contact information:
Galen Barbose, *glbarbose@lbl.gov*, 510-495-2593

Thank you for attending our webinar

Warren Leon
RPS Project Director, CESA Executive Director
wleon@cleanegroup.org

Visit our website to learn more about the State-Federal RPS Collaborative and to sign up for our e-newsletter:
http://www.cesa.org/projects/state-federal-rps-collaborative/

Find us online:

www.cesa.org

facebook.com/cleanenergystates

@CESA_news on Twitter