California Public Utilities Commission

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News Release

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PUC Allows Distributed Generation Facility Owners To Retain Renewable Energy Credits

SAN FRANCISCO, January 11, 2007 -- The California Public Utilities Commission (PUC) today ruled that renewable Distributed Generation (DG) facility owners should retain all of the Renewable Energy Credits (RECs) associated with their facilities. In making this decision, the PUC found that allowing retention of RECs by owners may help the economics of solar and other renewable DG facilities, and as such could further spur use of renewable DG technologies.

"The value of RECs to system owners stems from allowing each REC holder to take credit for the environmental benefits associated with renewable energy generation," said PUC President Michael R. Peevey. "These benefits include all of the avoided emissions that would have resulted but for the energy generated by the DG facility. This decision furthers our goal of reducing greenhouse gas emissions."

Under today's decision, system owners will retain these RECs, which they can choose to retire, in order to back their own environmental claims, or, alternatively, they can sell, providing an additional revenue stream that can serve to enhance the economics of renewable DG systems. Currently in California, sales of RECs are confined to the voluntary market. However, if and when the Commission authorizes the utilities to apply unbundled RECs toward their Renewables Portfolio Standard (RPS) obligations, DG system owners would have the opportunity to sell them to the utilities.

The Commission determined that the value of RECs, combined with other market factors, may drive the deployment of solar DG in such a way that objectives of the state's solar program can be achieved with less ratepayer support than that authorized by the legislature. As such, consistent with its obligation to protect ratepayers from undue expense, the Commission will revisit the

California Solar Initiative (CSI) incentives with an eye toward reducing them in light of the pace of market development. Similarly, the Commission will examine the level of incentives offered under the Self-Generation Incentive Program (SGIP) given the pace of deployment for other types of renewable DG.

Distributed Generation is a parallel or stand-alone electric generation unit generally located at or near where the energy is being consumed. Self-generation refers to DG technologies that are installed on the customer's side of the meter to provide electricity to the customer for a portion of its load. A REC consists of the renewable and environmental attributes associated with the production of electricity from a renewable resource and is an accounting tool for measuring RPS compliance. Power generators or sellers with excess RECs can sell them to others that need them in order to meet their renewable energy requirements under the RPS program.

The Commission has long recognized the value of DG in the resource planning and energy procurement context and has made a substantial effort to encourage the installation of DG in California. The state's Energy Action Plan II, issued by the PUC and the California Energy Commission (CEC), emphasizes the state's commitment to DG development.

As such, the Commission, in coordination with the CEC, has implemented several policies and programs that provide financial incentives to DG owners to promote DG deployment. In 2001, the Commission established the SGIP to provide incentives to DG facilities with higher awards being given for renewable and super clean DG units. The Commission expanded the SGIP's budget for solar programs by $300 million in December 2005 to spur additional solar development, and introduced the CSI, which along with elements added by Senate Bill 1, is aimed at bringing 3,000 megawatts of new solar generation to California.

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