

## **Project Criteria for Off-Site Generation Serving Retail Customers**

### **Renewable Advisory Council August 15, 2006**

This paper outlines the proposed, final criteria for screening and qualifying renewable projects in which the generator is not on the retail customer's site, but for which an independent power producer supplies power from a remote location. In these cases, the customers would buy the wind energy from specific projects under contract through electricity service suppliers (ESS), who are alternatives to PGE or Pacific Power.

This proposal would not change existing program criteria and policies for on-site renewable projects and those selling renewable energy to Pacific Power and Portland General Electric. Staff seeks final input before proposing these criteria to the Energy Trust's board of directors.

#### **Background**

The following criteria are the result of discussions at the Renewable Advisory Council on May 17, 2006, and June 21, 2006. These criteria expand on the criteria used to evaluate on-site, renewable energy projects proposed by customers for their own use.

The initial discussion document providing background and identifying the issues is available at: [www.energytrust.org/Pages/about/activities/rac/2006/060517/ESS\\_RAC\\_discussion.pdf](http://www.energytrust.org/Pages/about/activities/rac/2006/060517/ESS_RAC_discussion.pdf). The draft criteria presented and discussed at the last RAC are available at: [www.energytrust.org/Pages/about/activities/rac/2006/060621/Off\\_site\\_screening\\_criteria\\_061506.pdf](http://www.energytrust.org/Pages/about/activities/rac/2006/060621/Off_site_screening_criteria_061506.pdf).

Aside from comments from the City of Portland, there was widespread support for the proposed criteria. The discussion is summarized in the notes for the June 21<sup>st</sup> meeting. The meeting notes can be referenced at: [www.energytrust.org/meetings/rac/RAC\\_notes/2006/RAC\\_Notes\\_060621.pdf](http://www.energytrust.org/meetings/rac/RAC_notes/2006/RAC_Notes_060621.pdf).

#### **Proposed Screening Criteria for off-site projects**

Staff proposes the following criteria to be advanced for board approval:

1. Owned or controlled by the applicant or contractually committed to serve the applicant.
2. Considered a long-term resource, typically with an expected life of at least 15 years as consistent with the expected life for a similar project funded through other Energy Trust programs.
3. Priced at customary and usual costs for the installation or able to show significant demonstration value for higher than normal costs.
4. Requiring Energy Trust support as defined through the above-market policies and methodologies for on-site generation. If the applicant's contract with the ESS was less than the life of the project, the above market costs would be proportionately reduced.

5. Contractually able to comply with Energy Trust's green-tag policies. Customers retain green tags in proportion to their share of funding for above-market costs.
6. A completely new project in Oregon, or a new addition or upgrade to an existing project in Oregon that provides expanded generation.
7. Capable of being operated and maintained by the owner or for them for the life of the contract.
8. Customer contributes at least 20% of the above-market costs, if they do not have an equity stake in the off-site project.
9. The Energy Trust contribution is capped at the lower of the result of the above-market analysis or 10% above what the Energy Trust has paid or would reasonably expect to pay for a comparable project funded through other Energy Trust programs.
10. Within the additional budget, technical, process and funding limits established for each program, applications for off-site projects may be considered within each program. The review and any subsequent approval of such would follow the Energy Trust's standard processes.

### **Discussion**

The City of Portland's representative indicated the City had concerns with the proposed criteria 1, 2, 5, 8 and 9. No RAC members supported the City's positions. One member of the public supported the City's concerns with criteria 1. RAC members supported the proposed criteria, but had the suggested modifications to the first and sixth criteria.

Based on the RAC discussions, the first criteria has been changed to allow shorter contracts with an ESS. The original criteria said the contract had to be at least 15 years. Staff would still do the above market analysis on the expected life of the renewable project providing the power. Particularly for wind and solar, this brings the positive benefits of the longer term for a full picture of net costs compared to market. Staff agrees with the suggestion by Steve Weiss of NWEA that if the applicant has a contract with the ESS for a term that is shorter than the expected life of the project the proposed funding from the Energy Trust should be pro rated.

The majority of RAC member supported criteria 6 requiring the project to be in Oregon. This is parallel to the on-site criteria and is a simple clear standard. Some RAC members argued for a more open Oregon preference with a clear standard for accepting an out of state project. Staff have wrestled with this and have found no easy, clear and non-arbitrary standard. We are more persuaded that projects from out of Oregon through an ESS pose a choice that raises significant political complications.

The City's objection centered on the desire to have all the extra costs of a project covered while retaining the environmental attributes. It struck all RAC members and the public attending that asking for all of both was imbalanced. Members were sympathetic to the City's desire to create a new path and recognized that credit for innovating with the ESS should be recognized. The City's issue may be in the Energy Trust's green tag policy and should be dealt with in the review of that policy. In the meantime, it seemed fairer to RAC members that the City contribute to the above –market costs to gain a share of the environmental attributes.

### **Recommendation**

Staff recommends moving these criteria forward to the board for adoption.