

ICC Regulatory Framework for Renewable Energy Sources

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Overview

- Mandates / Incentives – federal and state
- Regulation and Licensing of RES
- ICC Role
- Variability and Pricing issues



Terms

- Renewable portfolio standard (RPS) – sets a minimum requirement (often a percentage) for electricity production from renewable energy resources or for the purchase of tradable credits that represent an equivalent amount of production
- Renewable energy credit – tradable credit that represents the environmental attributes of a certain amount of renewable energy



Terms (cont.)

- Utility – in this context, means a conventional, old-line utility providing retail electric service to residential and small business customers
- Alternative retail electric supplier (ARES) – competitive supplier; almost always serves large customers
- Illinois Power Agency (IPA) – agency responsible for purchasing power for utility small business / residential customers



What are “Renewable Energy Sources?”

- Illinois law – energy or credits associated with energy from wind, solar, thermal, photovoltaic, biodiesel, biomass, landfill gas and existing hydropower
- Does not include burning of garbage, construction waste or tires



Renewable Energy Sources – definition under federal law

- The federal Energy Policy Act of 2005 defines “renewable energy as:
 - electric energy generated from solar, wind, biomass, landfill gas, ocean (including tidal, wave, current, and thermal), geothermal, municipal solid waste, or new hydroelectric generation capacity achieved from increased efficiency or additions of new capacity at an existing hydroelectric project



Mandates - federal

- Federal law does not mandate RPS
- Federal RPS was proposed and rejected in 2005
- However, 33 states and the District of Columbia have adopted mandatory RPS; another 3 have adopted voluntary RPS



Mandates – federal (cont.)

- Federal law, regulations and executive orders instead directed towards two goals
 - Setting an RPS for the federal government itself
 - Federal government is largest single user of electricity in the U.S., consuming about 1.5% of U.S. total
 - Giving incentives, generally in the form of tax credits, to foster investment in new renewable generation facilities, and otherwise increase generation



Mandates - Illinois

- State RPS mandates apply to two different types of electric suppliers
- ARES, of which there are 41 certificated in Illinois
 - These serve large customers , and over 50% of Illinois' total load
- Traditional utilities
 - These serve residential and small business customers
- In all cases, RPS must be “cost-effective”



Mandates – state - utilities

- Illinois Power Agency procures electricity for residential and small retail customers
- Electricity procured by IPA must include RPS
- RPS increases from 2% of total portfolio (2008) to 25% (2025)
- Must consist of at least 75% wind power, 6% photovoltaic
- Favors Illinois renewable resources, then those generated in adjoining states



Mandates – state – utilities (cont.)

- RPS must be “cost effective”
- This means that procurement of RPS cannot increase customer bill in excess of a specified amount
- This amount increases each year and is indexed to 2007
- Through 2011, RPS may include purchase of renewable energy credits



Mandates – state - ARES

- RPS set at same levels as utilities
- Only 60% required to be wind, 6% photovoltaic
- May be in form of renewable energy credits (RECs)
- Source and quantity of renewables used to satisfy RPS must be independently verified



Mandates – state – ARES (cont.)

- If an ARES cannot satisfy these requirements, it is obliged to make alternative compliance payments
- Alternative compliance payments set by utility service area, pursuant to a statutory formula, and reset yearly
- May be used to satisfy an ARES' entire renewable portfolio requirement



Mandates – state – ARES (cont. 2)

- Deposited in the IPA Renewable Energy Resources Fund and used to purchase RECs
- Commission is authorized to bring enforcement actions against non-compliant ARES
- Finally, the requirements applicable to ARES also apply to traditional utilities operating outside their service territories



Regulation and Licensing of RES

- The ICC no longer has a significant role in regulating or licensing generation
- However, the ICC does oversee the procurement of RES by the IPA and by ARES
- Likewise, the ICC oversees and enforces renewable portfolio requirements



Regulation and Licensing of RES (cont.)

- ICC also has authority with respect to siting of transmission and distribution facilities within Illinois
- Federal open-access transmission tariffs allow all generators to put power on the grid on generally equal terms
- However, proximity to existing transmission and distribution facilities is an important factor in location of new RES



Regulation and Licensing of RES

(cont. -2)

- Local authorities have a great deal of authority with respect to siting
- This is often controversial
- Wind farms, for example, have been criticized for causing noise and being a hazard to certain types of wildlife
 - Alleged reduction in adjacent landowners' property values



Pricing and Price variability

- As Illinois is now preparing for its second procurement event ever, this is an uncertain area
- Procurement administrators retained by IPA have issued requests for proposal seeking proposals to satisfy mandated RES portfolio standards for a 25 year period
- This is presumably to mitigate price volatility



Thank you for your
attention

