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BEFORE THE ARIZONA CORPORATION COMMISSION RECEIVED

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Arizona Corporation Commission  
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JUL 15 2013

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IN THE MATTER OF THE COMMISSION'S  
INQUIRY INTO RETAIL ELECTRIC  
COMPETITION

**DOCKET NO. E-00000W-13-0135**

The Vote Solar Initiative ("Vote Solar") appreciates the opportunity to submit comments to the Arizona Corporation Commission ("Commission") regarding whether it is in the public interest to implement retail electric competition in Arizona. Vote Solar is a non-profit grassroots organization working to foster economic opportunity, promote energy independence and address climate change by making solar a mainstream energy resource across the United States. Since 2002, Vote Solar has engaged at the state, local and federal levels to remove regulatory barriers and implement the key policies needed to bring solar to scale.

Vote Solar is particularly focused on distributed solar generation issues and rate design issues related thereto, including the billing arrangement known as net metering. Recognizing the importance of this policy for supporting customer-sited solar and other renewables energy technologies, Vote Solar is actively participating in net metering and broader rate design regulatory proceedings in states across the U.S, including: Arizona, California, Colorado, Idaho, Minnesota, New Mexico, New York and Vermont among others.

In its May 23, 2013 letter, the Commission invited interested parties to submit responses to a series of questions about retail electric competition. While we take no position at this time on a number of these issues, questions 14 and 16 address renewables generally, and distributed generation (including solar resources) and are of particular importance to us.

As the docket continues we will continue to contribute our thoughts on the sub-topics in this docket that relate to our mission of increasing the use of, and access to, solar energy.

Our response to those two specific questions follows:

**14) Is retail electric competition compatible with the Commission’s Renewable Energy Standard that requires Arizona’s utilities serve at least 15% of their retail loads with renewable energy by 2025? (See A.A.C. R14-2-1801 et seq.)**

First, we would like to note that 15 States and the District of Columbia have restructured their retail electricity systems to replace monopoly electric utilities with competing sellers of retail electricity. Of these, all have Renewable Energy Standards (RES) in place and all but Texas have net metering. It’s also interesting to note that nearly all states in the group have a solar or distributed generation carve-out.

<b>Restructured State</b>	<b>RES?</b>	<b>Solar/DG Carve Out?</b>	<b>Net Metering?</b>
Connecticut	Yes	No solar target	Yes
Delaware	Yes	Yes	Yes
District of Columbia	Yes	Yes	Yes
Illinois	Yes	Yes	Yes
Maine	Yes	No solar target	Yes
Maryland	Yes	Yes	Yes
Massachusetts	Yes	Yes	Yes
Michigan	Yes	Solar: 3x credit	Yes
New Jersey	Yes	Yes	Yes
New Hampshire	Yes	Yes	Yes
New York	Yes	Yes	Yes
Ohio	Yes	Yes	Yes
Oregon	Yes	Yes	Yes
Pennsylvania	Yes	Yes	Yes
Rhode island	Yes	No solar target	Yes
Texas	Yes	Non-wind: 2x credit	Offered by some utilities, but not statewide

If the Commission moves forwards with retail electricity competition, we respectfully suggest the following guiding principles to used related to the current RES structure:

- 1. An RES program should apply to all load serving entities -- investor owned, municipal, and electric cooperatives, including suppliers of last resort.**

Exceptions and waivers should be avoided to fairly distribute program costs among all beneficiaries of RES policies.

In restructured markets, all suppliers to retail loads should be obligated to participate. The cost of meeting RES targets should not create barriers to competitive entry. Also there is no reason why an increase in the RES could not be undertaken under a competitive retail environment.

- 2. Use of tradable Renewable Energy Credits (RECs) for RES compliance should be continued as the mechanism to provide for contracting flexibility, to lower compliance costs, and to simplify verification.** The use of RECs frees renewable energy sellers from the need to deliver renewable electricity in real time to users, creates a fungible commodity that can be exchanged by suppliers, and provides an accurate and durable record of what was produced. The use of RECs can reduce the cost of compliance by providing access to a larger quantity and broader geographic scope of resource options, allowing obligated parties to seek the lowest cost renewable energy attributes.

RES rules and tracking systems should ensure that there is no double counting of RECs in compliance and voluntary markets. An RES program should provide that once a REC is used for RES compliance, the REC must be retired and cannot be sold again into other markets or used for future RES compliance. An RES program should provide that the same renewable energy shall not be used for more than one of the following: (1) compliance with the RES of Arizona or any other state, or (2) a voluntary clean electricity market or program of any type.

- 3. Under a competitive retail electricity market, the Commission should still enforce the RES program and should impose repercussions on those entities that fail to meet the requirements.** There should be clear rules for enforcement, providing confidence to developers that suppliers will make required purchases.

Measures to account for the rare occurrence that RECs are not available at a cost-competitive price point, such as alternative compliance payments, should be considered. Alternative compliance payments should be set at a level that controls compliance costs while still encouraging fulfillment of RES requirements. If the payments are set significantly below the market price of acquiring renewable energy, obligated entities will choose not to comply and the RES program will be rendered less effective.

An effective practice is to direct any alternative compliance payments into a renewable energy development fund. It is important to put provisions in place that ensure that these funds are protected from uses un-related to the development of renewable energy. Some states (e.g. NY) use centralized procurement.

In conclusion, retail electric competition is compatible with the Commission's RES. In fact, not only is an RES compatible with retail electric competition, but it is imperative that it be maintained, and preferably increased under retail electric competition to ensure a diversified, and risk-hedging energy portfolio in the state.

**16) How should the Commission address net metering rates in a competitive market?**

As a general principle, net metering is one of the most effective policies for supporting customer generation of renewable energy, and is currently enabling customer-sited generation in 43 states and the District of Columbia. The simplicity and understandability of net metering have been pivotal in reducing barriers to consumer uptake of energy technologies such as solar, and is arguably one of most successful market transformation policies for the renewable energy economy. Furthermore, customer-sited solar generation enabled through the net metering billing arrangement offers many benefits to the electric utility system and by extension to non-solar customers, including but not limited to: reduction in utility energy and capacity generation requirements, particularly during peak periods; reduction in system losses; avoidance or deferral of distribution and transmission investments; localized grid support, including enhanced reliability benefits; fuel-price certainty; and reduction in air emissions and water use.

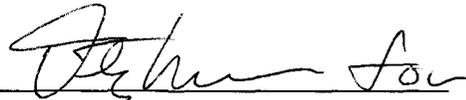
As the table above demonstrates, there is no mutual exclusivity between maintaining net metering and opening the retail electricity markets to competition. Indeed, net metering is often the first and sometimes only retail electricity alternative choice a customer may have in a regulated environment. This opportunity for customer choice must be maintained if the state moves toward retail electric competition.

Notably, this important policy will soon be the subject of a formal proceeding at the Commission into which interested stakeholders will submit a great deal of information that will be useful for the Commission's deliberations. We respectfully suggest that the Commission specifically seek information in that docket that would guide its policy making for allowing net metering to function in a competitive retail electricity market, should it decide to move in that direction.

**Conclusion**

We look forward to further engaging in this important discussion, and always remain available to answer questions from the Commission regarding our written comments. Vote Solar sincerely thanks the Commission for the opportunity to present our perspective. We look forward to working with the Commission and other stakeholders as the state consider whether retail electric competition is the right path for Arizona, and its ratepayers.

Respectfully submitted this 15<sup>th</sup> day of July 2013 by:



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