

4/24/09 Chairman Gordon Seeks Input on Renewable Electricity Standard

FROM CHAIRMAN GORDON

As you know, this week the Energy and Commerce Committee will be holding hearings to examine draft legislation addressing climate change and energy matters. Included in the draft is a Renewable Electricity Standard, or RES. Though I strongly believe that the broader use of renewable power for electric generation is both important and necessary for our economic growth and our national security, I continue to have serious concerns about the proposal included in the current draft. Any mandate must be balanced, flexible, and not regionally punitive to parts of the country that are not blessed with the availability of abundant renewable resources.

I continue to work with several of my colleagues, including Rep. Boucher and Majority Whip Clyburn, to encourage changes to the current proposal. The following is a “menu” of some of improvements and additional flexibilities to the RES we are examining:

Elimination of the EERS: The current draft included two mandates – one for renewable energy and one for energy efficiency. The EERS should be eliminated and instead allow efficiency improvements to qualify under the RES.

Expanded Definition of Energy Efficiency: Demand response and demand management are mechanisms where utilities even out demand over a specific period of time – shifting demand away from peak times and/or actually reducing demand at those peak times. Energy management information services is a services provided by a utility that offers consumers information about their energy consumption that allows them to change behavior and decrease demand. Demand response often results in fossil plants (particularly natural gas and oil) not being run during peak times. The definition of energy efficiency under an RES should explicitly include demand response, demand management, and energy management information services that results in a verifiable reduction in demand.

Governor’s petition requirement for energy efficiency: In order to use energy efficiency to meet up to 4% or 5% of the RES, a Governor would have to petition the Secretary of Energy. However, a Federal RES would apply to utilities, not states, and most utilities cover multiple states and/or only partial areas within states. This could create conflicts and unnecessary bureaucracy within states. If the RES includes credit for energy efficiency, then the requirement to petition the Governor should be removed so that all states and utilities are treated the same.

Expansion of credit for energy efficiency based on certain factors: Boosting energy efficiency is good both economically and environmentally, and allowing credit for energy efficiency is one of the most important flexibilities in the RES. This provision should be expanded to allow states or utilities to petition the Secretary to allow a larger percentage of energy efficiency to count toward fulfilling the RES.

Flexibility in definitions of renewable energy: The sources of renewable energy are very explicitly laid

out in the RES language, but there are a number of resources not included and it is likely that new renewable will emerge between now and 2020. The following renewable resources should be added to the allowable use list: pumped storage, fuel cells using renewable sources, waste to energy (landfill gas and municipal solid waste), biogas, ocean thermal, waste water treatment gas, bio-diesel/bio-fuels, cogeneration/combined heat and power, co-firing of biomass and waste heat. In addition, an RES could include language giving the Secretary of Energy discretion to broaden the definitions of renewable energy as new technologies evolve.

Credit for R&D investment in technologies: To ensure cleaner and more efficient electricity production, it is important not only to deploy renewable resources now, but also to ensure that we invest in emerging clean technologies. Under an RES, utilities might be given some limited credit for investing in R&D on emerging technologies that will promote renewable electricity and energy efficiency, and/or reduce carbon emissions. Technologies could be narrowly defined and might include energy storage technologies, fuel cells, distributed generation, smart grid, and advanced or more efficient transmission lines. If an RES were to encourage investment in these technologies, utilities would be better positioned to produce more electricity from renewables (an important goal of any RES) rather than complying with the RES through payments.

Use of Compliance Payments “Fund”: The RES sets aside revenues from RES compliance payments in a “fund” (subject to appropriations) to be returned to states to provide incentives for more investment in renewable energy and energy efficiency. Assuming this funding would actually be appropriated, the House language is vague about how exactly states could use the funding. In order to ensure the fund is actually used to increase investment in renewables, the RES language should be more restrictive about how states could use funding. Alternatively, rather than returning revenues to states, the “fund” should be used to increase Federal R&D investments and/or provide additional Federal energy tax incentives.

Reducing the Alternative Compliance Payment: In regions where the availability of renewable resources is limited, the only option utilities may be left with is making alternative compliance payments. With the prospect of cost for emitting carbon, making the payments will impose an additional burden on ratepayers. The alternative compliance payment should be reduced from 5 cents per kWh to either 2 or 2.5 cents.

Establishment of national renewable production tracking system: Instead of relying on existing state tracking systems for renewable credits as the RES language allows, an RES could establish a single, national electronic system capable of tracking the generation of renewable energy and the acquisition and disposition of renewable energy credits to aid the Secretary and the states in the enforcement of Federal and state renewable portfolio standard programs.

Expanding Credit for Improvements to Hydroelectric: Current RES proposals allow for credit to be provided to incremental improvements to hydroelectric generation facilities if the improvements have been made since 2001. Unfortunately, a great deal of improvement and enhancement occurred between 1992 and 2001. The RES should allow for credit to be provided to all hydroelectric

improvements that have occurred since 1992.

Providing Credit for Prospective Nuclear and CCS Generation: Though there is a strong desire to see renewable resources more broadly deployed, it is just as important to reduce our carbon emissions. Though not renewable, nuclear generation and coal-fired generation with capture and sequestration provide reliable electricity with reduced or no carbon emissions. Some credit should be provided for deployment of these cleaner sources which have a high cost of development. Noting that the RES is concerned with renewable energy and not clean energy, it would be appropriate to limit the credit provided for new nuclear and CCS equipped electric generation to up to 5% of the mandated renewable level.

I would welcome any thoughts you have on these possible changes or any additional ideas you have that would improve the current draft. Please contact Louis Finkel on the Science and Technology Committee staff, louis.finkel@mail.house.gov, with any thoughts that you may have.

Bart Gordon
Chairman
Committee on Science and Technology