



ICC – Post 2006 Proceedings Procurement Workshop

Scenario 12 Presentation

Renewable Portfolio Standard

August 5, 2004



■ Introduction

- ✓ **Navitas Energy, wind energy developer.**
- ✓ **Navitas successfully developed the Mendota Hills Wind Farm, which has been up & running since Nov. 2003.**
- ✓ **Mendota, a 50.4 MW facility located in Lee County, IL, is the first utility scaled wind energy facility in Illinois.**
- ✓ **Mendota & Navitas are wholly owned subsidiaries of Gamesa.**
- ✓ **GEV Corp., an energy consulting firm, is working closely with Navitas and has been instrumental in the development of a competitive electricity market in IL.**



Why Renewable Energy?

- ✓ Clean, non-polluting electricity production (no mercury, nuclear waste, etc.)
- ✓ National source of energy – Reduces reliance on foreign fossil fuels – Increased energy independence – Enhanced National Security.
- ✓ Unlimited source of energy (Wind, sun, water is endless).
- ✓ Economic development throughout rural areas (No concentration).
- ✓ Job creation in Illinois



Why a Renewable Portfolio Standard (RPS)?

- ✓ The benefits (environmental, economic, etc.) stay local in the state of Illinois.
- ✓ IL- 21,000 MW of wind resource potential and even more from solar, biomass, etc.
- ✓ Encourage/Enable long term investment.
- ✓ Renewable generation represents new technology. Without RPS, investments will tend towards traditional sources.
- ✓ Initial capital costs higher than fossil fuel generation on a per MW basis, but NO fuel cost, and therefore NO fuel VOLATILITY.
- ✓ Efficient, cost-effective source of energy (\$35-50/MWh).
- ✓ Diversification of generation portfolio.

RPS in other states

- ✓ **14 states have RPS.**
- ✓ **Examples include**
 - 1. CA: 20% by 2017**
 - 2. NY: 25% by 2012**
 - 3. TX: 2,000 MW installed renewable capacity by 2009.**
 - 4. MD: 7.5% by 2019.**

Source: AWEA, Renewable Energy Standards,
March 2004.



Mendota Hills Wind Farm, Illinois

Elements of a successful RPS

- ✓ **Long-term policy providing stability.**
- ✓ **Clear and binding commitments (not just goals).**
- ✓ **RPS to be phased in over time.**
- ✓ **Competitively neutral: applicable to all load serving entities (LSE) in Illinois.**
- ✓ **Enforcement mechanism.**
- ✓ **Green ticket trading program.**



Scenario 12- Special Rules for Renewable Energy Acquisition

- ✓ **Renewable resources requirement is purchased separately from FRP under a long-term supply contract.**
 - **Long-term Power Purchase Agreements (PPA) allows long-term financing/investment with resulting lower energy cost.**
 - **PPAs linked to revolving 3-5 year tranches limited to shorter-term financing, with higher resulting energy cost.**
 - **Long-term PPA to supply renewable energy would be competitively bid. Same as other tranches.**
 - **LSE passes the cost through to customers.**
- ✓ **Implementation of RPS through acquisition approaches outlined in other scenarios (e.g., by requiring their inclusion in products acquired via auction or RFP) is less desirable.**

Example of RPS implementation

Texas

- ✓ Applies to “competitive retailers”.
- ✓ REC program administrator allocation.
- ✓ REC must be physically metered and verified in TX.
- ✓ Allowed shortfall, 10%.
- ✓ Penalties.





Let's work together to improve Illinois!!

