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September 9, 2010

## MEMORANDUM

**TO:** Power Committee

**FROM:** Jeff King

**SUBJECT:** Discussion of renewable energy credits, over-generation and negative electricity prices

Action GEN-10 of the Sixth Northwest Conservation and Electric Power Plan calls for the Council, working with other interested and affected entities, to undertake an assessment of the potential extent of the future unbundled renewable energy credit (REC) market, the resulting benefits and costs, and actions needed to remedy significant impacts. The primary effect of an unbundled REC market has been, and is expected to continue to be, development of Northwest wind resources for the purpose of supplying RECs to satisfy California renewable portfolio standard (RPS) obligations. Secondary effects of concern appear to include depression of wholesale power prices, episodes of negative pricing and suboptimal resource dispatch.

A work plan for addressing this action was provided to the Power Committee at its March meeting. Principal elements of the work plan include a report describing the potentially significant technical and economic implications of an unbundled REC market and possible actions to remedy negative impacts, and an analysis of potential impacts on Northwest plant dispatch and wholesale power market prices.

Findings regarding the current and near-term role of Northwest wind power in serving California RPS obligations were described at the May meeting of the Power Committee. California RPS policy initiatives that may significantly affect the demand for Northwest wind power were described at the August meeting and will be updated at the September meeting under a separate agenda item.

Following a delay due to other obligations, staff commenced work on the report and the analysis in August and expects to have preliminary analytical results for discussion at the September Power Committee meeting.