**STATE RPS COLLABORATIVE**
Call #2 Summary – Renewable Energy Credits as a Means of Implementing RPS
May 12, 2005

***Participants:*** 28 participants joined the call representing 15 states and related state NGO representatives (see the attached participant list)

## *RPS Collaborative Goals and Procedures -- Catherine Morris, The Keystone Center*

This was the second of three Resource Portfolio Standard (RPS) Collaborative calls sponsored by the EPA Climate Protection Partnerships Division. The theme of this and the next calls will be evaluating the costs and benefits of state RPS programs and mechanisms to lower the overall cost of implementation. This call featured states that have or are considering the use of Renewable Energy Credits as a means of verifying and tracking compliance.

## *REC Overview: Design and Implementation – Ed Holt, Ed Holt & Associates*

phone: 207.798.4588; email: edholt@igc.org
**(**See PowerPoint presentation "Using RECs for Compliance")

Ed Holt provided an **overview of:**

- Benefits of RECs as tracking and compliance tools
- Systems used to verify data assigned to REC (kWhs, environmental attributes, source and type of generation
- Special design & policy questions such as double counting, ownership, banking, unbundling, tracking out-of-state RECs
- Resources available for additional information

## *California's RPS and Tracking System -- Heather Raitt, California Energy Commission*

***phone:*** 916-654-4735; email: hraitt@energy.state.ca.us
(See PowerPoint presentation "California's Renewable Portfolio Standard" ).

**CEC and CPUC are implementing the RPS collaboratively**

**1) CEC oversees:**

- development of accounting/tracking system

- certification of eligible renewable resources and
- supplemental energy payments

**2) CPUC's role in State RPS:**

- Sets Procurement targets annually
- Establishes Standard contract terms allowed
- Establishes Criteria for evaluating bids
- Oversees banking of RECs
- Develops the market price reference for supplemental energy payments (based on delivered natural gas – fired production)

**Primary Policy Goals** of RPS is to provide benefits to California including environmental quality, economic benefits, diversity of energy sources, and environmental justice. www.cpuc.ca.gov/word_pdf/FINAL_DECISION/27360.doc

**Target:** Recommendation from Governor, CA Integrated Energy Policy Report and CA Joint Energy Action Plan to increase current targets

**Deliverability requirement**: Renewable power must be delivered to in-state utility, CA-ISO or in-state market hub.

**Tracking system:**

- Currently have an "interim" contract path tracking system that allows the use of REC for accounting purposes only. RECs must stay with the kWh sales. Generator provides a record of generation and purchaser provides the purchase power contract as documentation. Out-of-state generators use NERC tag as verification of delivery.
- Moving to electronic tracking system under Western Renewable Energy Generation Information System (WREGIS). WREGIS is not a trading platform.
- CEC is considering whether a regional tracking system and the use of unbundled RECs will meet the goals of the program. Have not done a cost/benefit analysis of the two alternatives.

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## *New Jersey's Regional REC program -- Mike Winka, Director of Clean Energy Program, New Jersey Board of Public Utilities;*

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(See PowerPoint presentation "REC Attributes & RPS Compliance")

- **Background resource**: NJ RPS Evaluation Reports by Rutgers' Center for Energy, Economics and Environmental Policy (CEEEP) http://policy.rutgers.edu/ceeep/images/NJ_REMA_Final_8-04.pdf

- **Targets** - Considering increasing RPS goal to 20% by 2020; estimate that the 20% target could be met with a 3.7% increase in rates accompanied by significant increase in state economic benefits in terms of jobs and DSP

- **Tracking** - 1999 supported the RPS with contract path tracking; found that it was not effective if the overriding goal is to provide more renewable generation.
    - Current Energy Tracking system is Generation Attribute Tracking System (GATS) operated by PJM; RECs can come from any of the 11 PJM states and traded separately from the electricity. RECs coming from outside PJM must be associated with generation that is delivered to PJM region. PJM tracks and schedules all generation regionally so power delivered to PJM is viewed as equivalent to power delivered to NJ.

- **RECs** –
    - RECS have a one year life and there is a 3 year true-up; No borrowing or banking is permitted.
    - Ownership of RECs: NJ has decided that the generator owns the RECs; still some questions about the ownership of RECs associated with Qualifying Facilities under pre-exiting PURPA contracts.
    - RECs are more important than environmental credits in helping to finance the renewable energy projects.

- **Auctions** – NJ holds annual auctions and sells renewable energy with RECs

## *Questions & Discussion*

**How prevalent is the problem of double counting?**

- Has been raised as an issue on occasions, particularly in the voluntary green power markets, but seems to be continuing concern that double counting could undermine the credibility of the RPS markets.
- NJ believes that the GATS tracking system will address double counting and reduce the voluminous paperwork currently required to verify compliance.

**States allow different types of generation to qualify under RPS and therefore RECs can have different attributes. Is this a problem?**

- One participant suggested that standardizing RECs across the nation would be helpful. Others voiced the opinion that differences in eligibility for RPS is not necessarily a problem as long as the attributes of each project are clearly defined.
- Advanced tracking system may address some of the confusion; but there may be differences in project qualities that will still be missed.
- North American Association of Issuing Bodies is convening a collaborative effort to look at seams issues between jurisdictions.
- Clean Energy States Alliance also looking at seams issues at upcoming meeting.

**How do states resolve ownership of RECs for "behind the meter" and PURPA RE projects?**

- Utilities will sometimes claim ownership of REC for net metered RE projects because there is no clear state guidance. This is an emerging problem in NY.
- In CA, there has been an on-going discussion of REC ownership, but a recent decision by the PUC settled it by awarding ownership to distributed generation owners. Ownership of RECs generated by PURPA facilities still in question.
- NJ also just signed a decision to address question of ownership awarding RECs to the generator.
- MN has relied on FERC decision in Docket EL-03-133-000 and the subsequent Reconsideration Order to address PURPA facility REC ownership

**Is there a resource for learning more about tracking systems?**

- PJM and ISO NE websites –GATS & GIS Operating Rules

[for GATS – http://www.pjm.com/committees/working-groups/gats/gats.html]

**Summary of issues for future discussion/technical assistance**:

- Allocation of infrastructure costs on the distribution side of a renewable energy project
- REC ownership when net metering is allowed
- REC ownership for PURPA projects
- Pros and cons of standardizing the definition of RECs nationally
- Implications for unbundling REC attributes for environmental compliance
- How to harmonize tracking systems – seams issues between states and regions

**NEXT CALL**: June 7th, 3:00 – 4:30 EDT