Using RECs for Compliance
Why Use RECs for RPS?

- RPS compliance b.c. (before certificates):
  Attestations backed by auditable contracts
    - Bundled energy and attributes

- RECs are more flexible, lowers cost of compliance
  - Attributes of power generation, sold separately from energy
  - 14 of 18 states allow or require RECs for compliance

- RECs can carry a lot of information (attributes) needed for policy compliance
  - Resource, location, vintage, emissions, etc.
REC Definition

- How does your state define a REC?
  - All attributes aggregated (whole REC)?
  - Proof of generation (no attributes)?
  - Can REC be used for RPS compliance and some attributes sold or used for other purposes?

- Lack of clear definition may be problematic if RECs not standardized within state
RECs are just a collection of attributes (data)
  - Only as good as the info they’re based on

How to verify generating unit characteristics?
  - Required reports (e.g. EIA Form 860)
  - State inspections

How to verify production data?
  - Units dispatched and settled by RTO or control areas

Making the effort to verify data enhances data quality and credibility, but at a cost trade-off
  - Will other tracking systems recognize RECs unsupported by similar quality control standards?
Small or BTM Generation

- Is behind-the-meter (BTM) generation eligible?
  - Not dispatched or “seen” by ISOs or control areas
  - State policies often encourage onsite generation

- How to verify unit characteristics and eligibility?
  - Attestations?
  - Onsite inspections?

- How to verify output for issuing certificates?
  - Metering standard?
  - Self-read?
  - Checked by periodic third party reads? Frequency?
  - Continuous monitoring (telemetered data)
REC Ownership Issues

- **PURPA contracts**
  - Who owns the RECs, the generator or the utility?

- **Net metering and interconnections**
  - Can the utility require the transfer of RECs as a condition of net metering or interconnection?
  - Be specific in legislation or rulemaking

- **Generation projects receiving state funds**
  - Are states entitled to claim the RECs if they provide financial support to projects?
What Is Double Counting?

- **Double selling**
  - Can a generator sell a REC to two different ESPs as long as they are in two different states?

- **Double claim**
  - If a utility buys the output from a wind generator but the generator sells the RECs to a third party, can the utility claim to buy wind power? What should it claim on a disclosure label?

- **Double use**
  - If ESP uses REC for RPS compliance, can it later sell the REC to an end-use customer?
  - Can ESP use REC for RPS and also use it for retail disclosure purposes?
Tracking systems provide a platform for issuing, tracking and retiring certificates

- Key mechanism for issuing RECs based on agreed upon standards; adds credibility to market
- Key to determining ownership of RECs; reduces disputes and double claims
- Key to determining retirement of RECs and preventing double selling

Multi-state tracking systems help create larger and more competitive markets

Coordination and perhaps standardization among tracking systems may be useful

- North American Association of Issuing Bodies (NAAIB)
Special Issues

- RPS credit multipliers
  - Can you issue two RECs for one MWh?
- REC banking (and borrowing)
  - What is the effect of banking RECs?
- The lifetime of a REC
  - Do RECs have an expiration date?
- In-state vs. out-of-state RECs
  - Can you ensure local or regional benefits?
- Whole RECs vs. disaggregated RECs
Resources

- Center for Resource Solutions, *Regulator’s Handbook on Tradable Renewable Certificates*

- Regulatory Assistance Project, *Renewable Energy Certificates and Generation Attributes*
