



# **Renewable Energy Credit Trading in California**

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Commission Delegation

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## What is a Renewable Energy Credit?

- A renewable generator produces two outputs simultaneously, electricity and environmental benefit. RECs are certificates that represent the environmental attributes or 'greenness' of renewable production.
- A REC represents proof that one megawatt hour (MWh) of electricity was generated from a renewable source and delivered somewhere into a power grid.
- Provides increased compliance flexibility for utilities under the RPS.
- California Senate Bill (SB) 107 authorized CPUC to approve the use of Renewable Energy Credits (REC) once Western Renewable Energy Generation Information System (WREGIS) accounting system is operational.





## CPUC Actions

- The CPUC authorized electric corporations to use RECs to comply with the current RPS mandates. (Decision 10-03-021).
- Classifies out-of-state RPS contracts within Western Electricity Coordinating Council (WECC) and not connected to a California balancing authority area as REC-only procurement for RPS compliance purposes.
- Use of RECs for compliance by the three large IOUs would be capped at 25% of their annual procurement target (APT).
- RECs purchased by any IOU would be subject to a \$50 price cap and price reasonableness review by Energy Division.





## DRA's Mission

- The Division of Ratepayer Advocates (DRA) is the independent consumer advocacy division of the California Public Utilities Commission (CPUC).
- DRA's statutory mandate is to obtain the lowest possible rate for utility service consistent with reliable and safe service levels.





## Ratepayer Concerns

- How to achieve the state's energy and environmental policy goals in the most cost-effective manner.
- Regulatory uncertainties.
- Wide fluctuation in REC prices.
- Utilities should take advantage of the flexible compliance rule to minimize costs to ratepayers.
- The primary objective of RPS is to develop more renewable resources within California (or that can deliver to California).
- Reliance on RECs facilitate compliance, but not support new renewable generating plants.
- The integrity of WREGIS has not been fully verified (to avoid double counting).





## **RPS Program Implementation**

### **CPUC's responsibilities:**

Oversees annual renewable energy solicitations

- Develops and implements procurement rules
- Determines compliance and assesses penalties
- Determines price reasonableness of RPS transactions

### **California Energy Commission responsibilities:**

- Establishes eligibility requirements and delivery rules
- Developed REC tracking system (WREGIS) to verify renewable energy generated in Western U.S.





## Conclusion

- Future REC prices too uncertain.
- REC may make it easier for LSEs to meet RPS compliance, but may reduce in-state renewable resources.
- At the onset, price cap should be included as ratepayers protection.
- Other programs such as energy efficiency and demand response should be encouraged to meet the state's goal of reducing greenhouse gas.

