



**REC Tracking and Inventory Control:**  
**Keeping up with National and Global Markets**

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# Overview

1. Introduction
2. Product Delivery
3. External System Challenges
4. Internal System Challenges
5. Next steps



# Introduction

## ➤ Who is Community

Ene



## ➤ Evolution and growth of REC markets

## ➤ Increased purchase options

- Price, location, technology, carbon benefit, etc.

## ➤ Sophisticated customers



Jersey-Atlantic Wind Farm



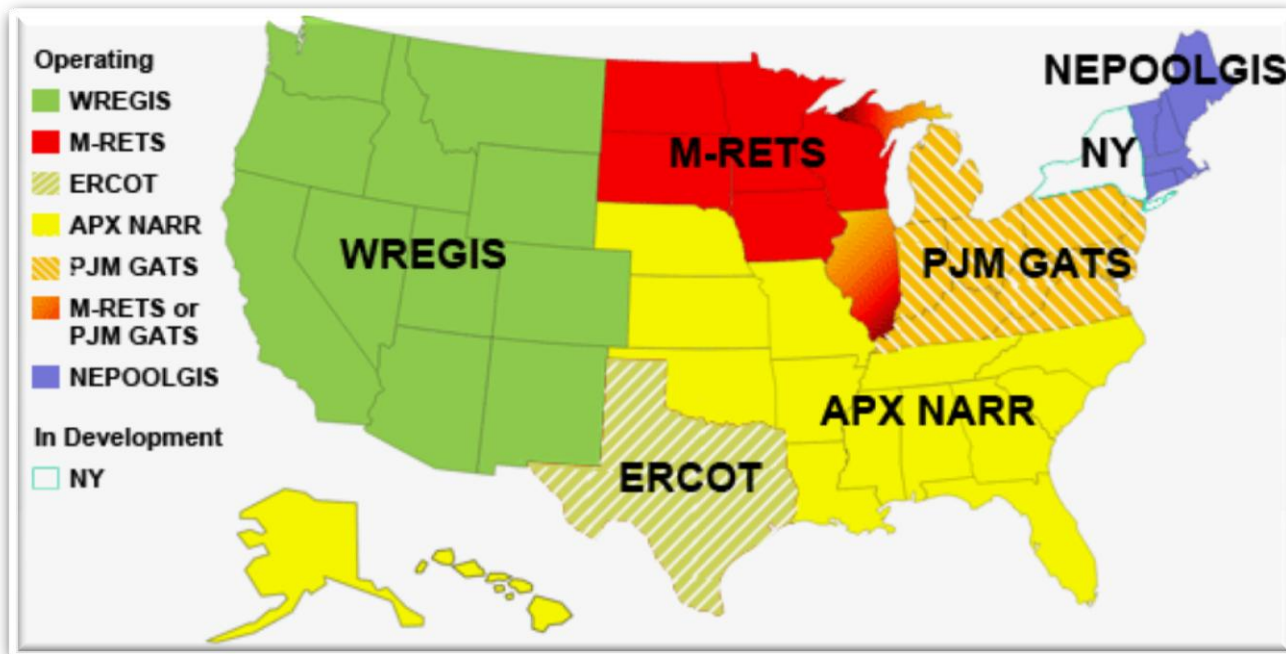
# Product Delivery

- Two types of conventional delivery:
  - Paper attestation & electronic tracking system
- Community Energy is a user of these systems
- Tracking system is preferred method. Why?
  - Unique serial number
  - Prevents double counting
  - Automated, lower transaction costs
  - Direct retirement method
  - Transparent & verifiable



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# National REC Tracking



- Six closed systems
- Minimal communication
- Efforts to harmonize systems

Source: EPA Green Power Partnership

# External Delivery Challenges

## ➤ NEPOOL GIS Example

- Delayed quarterly trading periods
- No annual banking
- Quarterly banking allowed

## ➤ Restrictive for voluntary market delivery

- Cannot deliver outside of trading periods
- Seller often not paid until delivery
- Minimizes buying flexibility and portfolio optimization
- Forces early retirement of voluntary Green-e eligible RECs



# Internal Delivery Challenges

## ➤ Accounting

- Revenue Recognition (SEC Topic 13)
  1. Persuasive evidence of an arrangement exists
  2. **Delivery has occurred or services have been rendered**
  3. The seller's price to the buyer is fixed or determinable
  4. Collectability is reasonably assured
- Supply standards are more flexible than accounting standards
- Constant portfolio optimization makes revenue recognition rules and financial audit requirements challenging to meet



# Internal Delivery Challenges Con't

## ➤ Green-e Verification

Conducted months after annual financial close. Any late customer requests or verification revisions must be revised in closed financial books.

## ➤ Customer delivery requirements

Trend in more frequent delivery and payment. Limits vintage window in which RECs can be sourced.





# Next Steps

## **Better consistency and standards as we move to more national and potentially global systems**

- ☑ Harmony among external systems
- ☑ Standardized tools for synchronization of external and internal systems
- ☑ Internal systems to reconcile supply portfolio and accounting systems
- ☑ Increased awareness and standards among finance and audit community about environmental markets and trading



# Thank You

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