

# North American Association of Issuing Bodies Conceptual Model

## Introduction

The Center for Resource Solutions (CRS) has been working for the past two years to help foster favorable conditions for the emerging market in renewable certificates. As this market develops, there is a growing need for coordination among parties tracking renewable certificates throughout North America. CRS is exploring the concept of developing an organization that would help to network renewable certificate tracking bodies in North America. The overarching goal of such an organization is to facilitate the creation of the minimum standards and protocols that ensure compatibility between systems issuing and tracking renewable certificates in North America.

Based on stakeholder input, research conducted and organizational experience spearheading similar multi-stakeholder processes, including the Green-e and Green Pricing Accreditation Programs, CRS recommends that a network similar to the European RECS model of a harmonized renewable certificate issuing and tracking network be developed for North America. As envisioned, a North American Association of Issuing Bodies would be formed to develop inter-regional trade rules and provide an institutional base for the development of interconnected state, provincial and regional renewable certificate tracking systems in North America.

## Organizational Structure

The structure being recommended for the formation of an integrated network consists of three key elements:

### **1. North American Association of Issuing Bodies (NAAIB)**

The NAAIB, as envisioned, is a North American alliance of tradable renewable certificate (TRC) Issuing Bodies<sup>1</sup> and market participant members. The NAAIB will lead the effort to develop some minimum standards for certificate Issuing Bodies and protocols for importing and exporting TRCs between state, provincial and regional certificate tracking systems in North America. These minimum standards and protocols will be jointly developed through a tri-national stakeholder process, resulting in the creation of a core governance document, known as the 'Basic Commitment.' The Basic Commitment will contain general principles and practices that preserve transferability and accuracy of information. The Basic Commitment does not govern how a specific Issuing Body operates or what mechanism an Issuing Body uses to fulfill the Basic Commitment obligations. Ideally, each Issuing Body will incorporate these guidelines and minimum operating procedures into their own system.

### **2. Issuing Bodies**

Issuing Bodies will be established for different regional domains in North America. A domain would ideally be defined by geographical boundaries (e.g. state, power pool, country, or region) or other similar delineations such that a renewable generating facility is assigned

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<sup>1</sup> An Issuing Body is an entity that operates an accounting or tracking system that issues, tracks, and retires renewable certificates in a particular state, province or region.

to one and only one domain. Each Issuing Body will develop its own operating rules consistent with the laws and renewable energy programs in its geographic domain and will agree to abide by the procedures established for cooperation with other Issuing Bodies outlined in the NAAIB Basic Commitment.

### **Two Types of Issuing Bodies**

Under the conceptual model developed by the Center for Resource Solutions, there will be two general types of Issuing Bodies: Issuing Bodies for mandatory programs and Issuing Bodies for voluntary purposes. A single Issuing Body could fill both of these roles. The Issuing Bodies for mandatory programs would most likely have some regulatory designation from the state, province or region where it is operating. For example, ERCOT and NEPOOL GIS are the defacto Issuing Bodies for TRCs generated within Texas and New England that are used to meet state RPS requirements. An Issuing Body established for voluntary registration of TRCs would also have to follow the guidelines of the Basic Commitment, but would not necessarily be operated by any regulatory authority. For example, a voluntary Issuing Body could be run by a private business, a non-profit, or a system operator. To avoid issuing more than one TRC for a given kWh, CRS is recommending that there only be one Issuing Body with jurisdiction in a particular geographic area, whether it is a mandatory or voluntary Issuing Body.

### **Responsibilities of an Issuing Body**

The chief responsibility of an Issuing Body is to ensure the accurate issuing, tracking, and retiring of TRCs for any given generator and to verify the information supplied by generators. The Issuing Body may have other program or regulatory responsibilities separate from its involvement in the AAIB. The mechanism for issuing, tracking and retiring TRCs can be developed by the Issuing Body, however, they will need to meet the standards in the Basic Commitment to ensure compatibility with the larger network.

A second responsibility of the Issuing Body is to ensure that information is transferred and shared between Issuing Bodies when necessary and appropriate, for example, when TRCs are sold into a neighboring region with a different Issuing Body. Since there are only a handful of existing systems in place, we anticipate that it will be relatively easy to establish a communication network as new systems are developed. Again, this underscores the importance of having an institutional driver, the NAAIB, to work through these coordination issues with stakeholders before many systems are in place. The goal here is to make sure there is seamless coordination between Issuing Bodies so that a national network of Issuing Bodies is established.

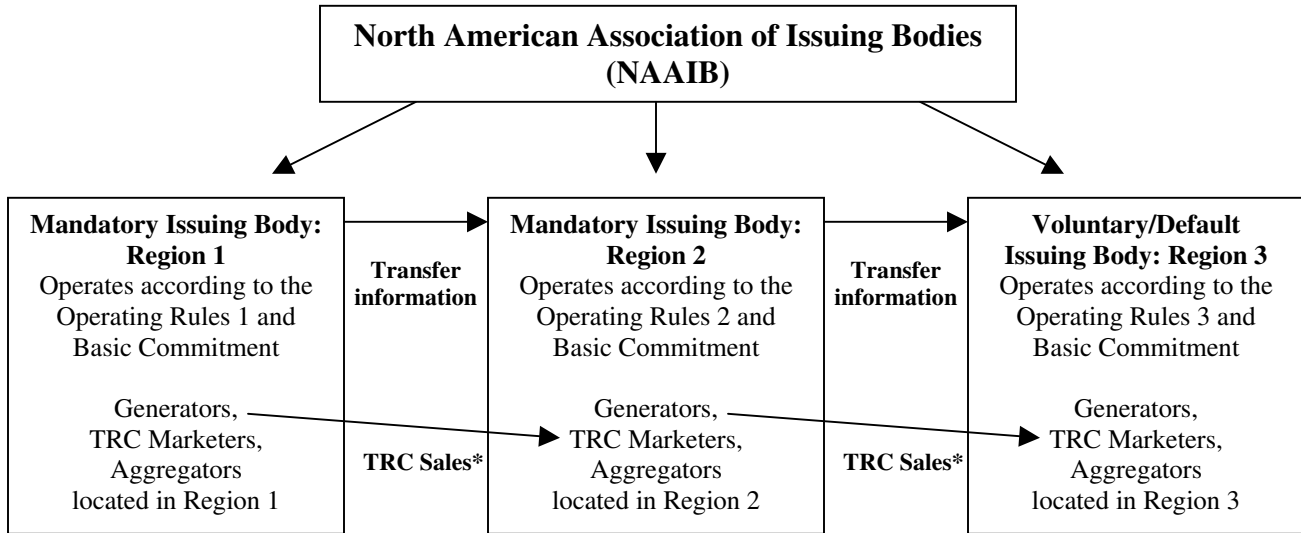
A third responsibility of the Issuing Bodies is to register generators and periodically verify the information provided by generators.

### **3. Market Participants**

The third component of a North American TRC tracking network is market participants, including renewable energy generators, marketers, wholesale purchasers, aggregators, large end-use customers, product certifiers, and traders. These market participants must voluntarily

agree to participate in such a system, unless they are located in a region where participation is mandatory, such as New England. Market participants should be involved in the development of the Basic Commitment and the relevant system operating rules because of their valuable perspective on the functional requirements of a robust market.

**Diagram 1: Organization Structure of a North American TRC Tracking and Verification Network**



\*: We assume TRC sales and trades will occur within a single Issuing Body. Intra-system trades will be chiefly governed by the operating rules of the particular Issuing Body. This diagram shows how TRC sales would occur between Issuing Bodies.