



CRS

center for
resource
solutions

October 21, 2016

Maureen Medvedyev
Purchasing and Contracting Department (P&C)
1200 Third Avenue, Suite 200
San Diego, CA 92101

RE: Comments of Center for Resource Solutions (CRS) regarding the City of San Diego's Request for Information (RFI) 10079755-17-A, on Solutions to Support the City of San Diego's Goal of 100% Renewable Energy

Dear Ms. Medvedyev,

Center for Resource Solutions (CRS) appreciates the opportunity to provide comments on the City of San Diego's program(s) to meet the City's 100% renewable energy goals.

CRS is a nonprofit organization that creates policy and market solutions to advance sustainable energy. CRS administers Green-e® Energy, North America's leading independent certification and consumer protection program for renewable energy sold in the voluntary market. Green-e Energy certifies and verifies roughly three quarters of the U.S. voluntary renewable energy market. CRS's role in this market is to protect the voluntary consumer against double counting and false claims, and ensure that the purchaser of renewable energy is receiving all of the attributes of renewable energy generation that they were promised. CRS also has a long history of working with state and federal agencies to design and implement consumer protection policies that ensure accurate marketing and avoid double counting of individual resources towards multiple end uses.

Stakeholder-driven standards supported by rigorous verification audits and semiannual reviews of marketing materials that ensure robust customer disclosure and are pillars of Green-e certification. Through these audits and reviews, CRS is able to provide independent third-party certification of renewable energy products. Green-e program documents, including the standards, Code of Conduct, and the annual verification report, are available at www.green-e.org.

Comments

CRS has organized its comments in alignment with the ten (10) RFI Questions outlined in the RFI issued on September 23, 2016.

1. Please provide a detailed description of the concept (project or program) you are submitting for consideration. Where not otherwise addressed below, please include

discussions such as feasibility, impact/benefits, timeframe, costs, and examples of similar successes.

A. Importance of Renewable Energy Certificates (RECs) in any program used to support the City of San Diego's goal of 100% renewable energy

The City of San Diego has an array of options to choose from in order to achieve the desired outcome of using 100% renewable energy and reducing greenhouse gas (GHG) emissions by 50% by 2035. The primary concern of these comments is to provide information on the importance of renewable energy certificates (RECs) in any renewable energy option the City chooses, particularly in order to achieve many of the 'City Objectives' outlined in Section C.1 of the RFI.

Given the nature the shared electricity grid, it is not possible to know where the electricity you are consuming is coming from. All consumption of electricity from specific resources is therefore accounted for contractually. Renewable energy certificates (RECs) are the legal, contractual instrument that convey ownership and usage of renewable energy. For every megawatt hour (MWh) of renewable energy that is generated and delivered onto the grid, one REC is also produced. Whoever purchases and "retires" the REC is the entity who has legally used that MWh of renewable energy. There is broad consensus in the United States that RECs represent one MWh of renewable energy generated and are required for renewable energy usage and for accounting for greenhouse gas reductions associated with electricity use.¹ RECs can be purchased either with the underlying electricity produced from the same facility (referred to as "bundled") or separately from the electricity generated (referred to as "unbundled").

If you do not retain the RECs associated with the electricity you generate or the electricity you purchase from renewable resources, you cannot count that electricity as renewable. It will be the entity that has purchased the RECs associated with this generation who has the right to claim that energy as renewable and count it towards GHG emissions reductions. In addition to the inability to achieve some of the City's goals, the City would also make itself vulnerable to risk by not retaining RECs in association with renewable energy generation. Entities that both sell RECs and claim delivery of renewable energy double count the renewable attributes, which both stunts the development of new renewables and can lead to legal, financial, and reputational risk. The Federal Trade Commission (FTC) discussed this exact issue in a letter to Vermont utility Green Mountain Power Corporation in February 2014, where they stated:

"Any statement by the company that might lead consumers of that electricity to infer that the energy was produced cleanly risks double counting. Such double counting, in sum, not only risks deceiving consumers but also threatens the

¹ See list of resources at the end of this document.

integrity of the entire REC market. By selling RECs, a company has transferred its right to characterize its electricity as renewable.”²

Whether or not the City of San Diego aims to reduce the use of *unbundled* RECs as a particular product or form of procurement will depend on other City goals. Since RECs represent the generation of a MWh of renewable energy generated and delivered onto the grid, both unbundled and bundled RECs align with the goals of reducing global greenhouse gas emissions as well as of bringing more renewable resources onto the electricity grid. On the other hand, if a complementary goal is to increase the development of *local* resources, and increase local green jobs and investment, bundled RECs might be the preference for the City of San Diego. However, goals for local renewable energy procurement could be achieved more directly through geographic restrictions on where RECs are generated rather than a purely bundled/unbundled dichotomy. The City of San Francisco came to the conclusion in their June 2015 report that both bundled and unbundled RECs result in environmental benefits to the global and local communities. Furthermore, they stated that “Unbundled RECs allow clean power CCAs to begin operation before local sources of green power exist...[and] offer an inexpensive way to deliver some of the environmental advantages of green power.”^{3,4}

In order to achieve the desired outcome of having the City use 100% renewable energy and eliminating half of all greenhouse gas emissions by 2035, a number of different measures will likely need to be taken. These could include installations of on-site PV systems throughout the City as well as the implementation of a Community Choice Aggregation (CCA) program offering renewable energy to your residents. Any and all of these options must include the retirement of RECs on behalf of San Diego residents.

B. Additional considerations for renewable energy programs used to support the City of San Diego’s goal of 100% renewable energy

1. CRS recommends that no matter what option the City chooses in order to offer renewable energy to its residents, that it register those MWh with the California Air Resources Board (CARB) through their Voluntary Renewable Energy Program (VREP) set-aside. Due to the Cap-and-Trade program in California, any emissions reductions below the cap as a result of renewable energy generation can be made up elsewhere by allowing a regulated unit to produce less emitting energy. The VREP was created to ensure that voluntary purchases of renewable energy go above and beyond regulation in terms of avoided greenhouse gas emissions on the grid. Through the VREP set-aside, voluntary renewable energy purchases can be reported to CARB and carbon allowances

² US Federal Trade Commission (FTC). (2015). *Letter from James A. Kohm, Associate Director, Division of Enforcement, Bureau of Consumer Protection, to R. Jeffrey Behm, Esq., Sheehey, Furlong & Behm, P.C.* February 5, 2015, p. 3.

³ City and County of San Francisco Civil Grand Jury. (2015). *Clean Power SF: At Long Last*, p. 12.

⁴ For more information, please see: Center for Resource Solutions (CRS). (2016). *How Renewable Energy Certificates Make a Difference*. <http://resource-solutions.org/site/wp-content/uploads/2016/03/How-RECs-Make-a-Difference.pdf>.

are retired in association the amount of CO₂ emissions avoided due to each MWh. This is the only way to ensure that each MWh of renewable energy that a San Diego resident consumes beyond RPS requirements contributes to GHG emissions reductions above and beyond state requirements.

2. CRS recommends that San Diego consider Green-e Energy certification for any renewable energy option that it might offer to its residents. Green-e Energy certification requires that renewable energy offerings meet the requirements of the Green-e Energy National Standard and the Green-e Energy Code of Conduct. For example, RECs must be retired in association with all Green-e Energy certified sales to end-use customers. RECs used in Green-e Energy certified transactions cannot be double-counted and must retain their full environmental benefit. All renewables used in a Green-e Energy certified offering must have been generated in close temporal proximity to when they are being consumed, and must be generated from facilities that came online in the past 15 years. An electricity offering must use RECs from within close geographic proximity, although San Diego could dictate a further restricted geographic scope and Green-e Energy certification requires that this promise be met. In January 2015, the California Public Utilities Commission (CPUC) directed the state's three investor-owned utilities – Pacific Gas & Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company, which together cover nearly 80% of the state – to offer two Green-e Energy certified 100% renewable energy options to their customers. The CPUC stated in their decision, “Green-e Energy certification will provide consumers with assurance that the product meets the Green-e Energy National Standard. Green-e Energy certification will also provide customers with standardized understandable information on the energy's attributes.”⁵ A number of other California suppliers offer Green-e Energy certified offerings, including three CCAs: Marin Clean Energy, Lancaster Choice Energy, and CleanPowerSF.

2. The City is interested in how recommendations will fit into CAP efforts. For each proposed project or program, identify which goals of the CAP and objectives referenced in section I.C will be achieved, and how they will be achieved.

It is important that RECs be retired in association with any renewable energy program option the City of San Diego chooses, particularly in order to meet or support a number of the goals listed in Section C.1 of the RFI. Most specifically, RECs are required for the following goals:

1. Contributing to the City's 100 percent renewable electricity goal by 2035; and
2. An energy portfolio with lower carbon content than is currently provided, and lower than that required per California SB350 and the State's Renewable Portfolio Standard.

⁵ California Public Utilities Commission (CPUC). *Decision 15-01-051 January 29, 2015. Section 5.4.*, p. 90.

RECs are required in order to deliver renewable energy to residents, in order to reduce the carbon content of the electricity delivered to residents, and in order to achieve reductions above and beyond those that are required by the state of California. The World Resources Institute (WRI) has developed international protocols for GHG accounting and reporting for purchased and delivered electricity, which state that RECs are required in the United States in order to report zero emissions renewable energy towards your carbon footprint.⁶

3. Does the project or program support the City's renewable energy goals? How?

RECs are required in order to use renewable energy, and are therefore a necessary part of achieving the states renewable energy and carbon reduction goals. For more information on this topic please see the list of resources at the end of this document.

4. What are specific technologies and estimated costs required to implement recommendations, and what might be appropriate funding mechanisms? Identify parties that may incur the costs (e.g., City, residents, businesses, ...etc.).

There will be a number of administrative tasks associated with ensuring RECs are properly accounted for. For instance, in order to ensure REC ownership and retirement, the City will need to register with the regional REC tracking system, the Western Renewable Energy Generation Information System (WREGIS). The City will also need to submit an application to CARB annually for the retirement of allowances in association with all renewable MWh used by the City. Should the City choose to offer a Green-e Energy certified product to its residents, there are additional fees associated with this process. Green-e Energy certification involves annual fees for certification and for a verification audit. There will also be a small amount of staff time required in terms of ensuring compliance obligations are met.

5. What is an estimated timeframe for implementation of projects or programs submitted, and what are the factors that may contribute to accelerating or slowing the implementation timeline?

CRS recommends that the decision to keep and retire RECs in association with all renewable energy generation or purchases be communicated early in the process of procurement. If the City chooses to move forward with Green-e Energy certification, this should also be identified within the procurement process to ensure that all renewable energy procured be in alignment with Green-e Energy requirements.

6. Who are potential participants in the implementation and operation of the proposed projects or programs?

⁶ Sotos, M. (2015) GHG Protocol Scope 2 Guidance: An Amendment to the GHG Protocol Corporate Standard. World Resources Institute. Available online: http://www.wri.org/sites/default/files/Scope_2_Guidance_Final.pdf.

REC retirement and CARB VREP application are an important part of any renewable energy offering, and could include a variety of participants in terms of implementation depending on the renewable energy program chosen.

7. How is the specific project or program new or different than what the City is currently doing, and how can it potentially be integrated with existing or future projects or programs?

A main shift will be to change the language describing the City's goals to be clear that RECs are required with any renewable energy procurement option. Otherwise the details outlined by CRS are in alignment with the City's goals and interests and could be applied to any offering the City chooses to provide renewable energy to its residents.

8. What are potential obstacles to implementation, including compliance requirements, regulatory barriers, technological or market feasibility, financing limitations and/or other parameters? Identify potential solutions for each.

Given that the details outlined above are applicable to all renewable energy procurement options, CRS does not identify significant obstacles to implementation.

There could be obstacles to implementation if the need to retire and keep RECs is not realized prior to entering into contracts to purchase renewable energy. It is important that this, and any other criteria associated with the renewable energy (such as Green-e eligibility), be identified prior to the RFP so that the proposals you receive account for these requirements.

9. What are the estimated results of the proposed concept(s), including the potential for greenhouse gas emissions reductions, numbers of residents and/or businesses accessing the program, economic impacts, ...etc.?

By ensuring the retirement of RECs and application to the VREP set-aside, the City of San Diego would ensure that its programs help achieve the goal of increasing renewable energy usage, decreasing greenhouse gas emissions, and do both surplus to regulation.

10. Include any other comments that you would like to offer that were not previously addressed.

Below please find a list of resources related to RECs, renewable energy usage, and Greenhouse Gas accounting:

Braslawksy, et al. (2016). *Making credible renewable electricity claims*. <http://resource-solutions.org/document/making-credible-renewable-electricity-usage-claims/>.

Center for Resource Solutions (CRS). (2015, February 17). *What is a Renewable Energy Certificate?* [Video file]. Available at: <https://www.youtube.com/watch?v=opJMrzNauFQ>.

Center for Resource Solutions (CRS). (2015). *Guidelines for Renewable Energy Claims*. <http://resource-solutions.org/site/wp-content/uploads/2015/07/Guidelines-for-Renewable-Energy-Claims.pdf>.

Center for Resource Solutions (CRS). (2015). *RE: Comments of Center for Resource Solutions (CRS) on California Assembly Bill (AB) 1110*. August 15, 2015. http://resource-solutions.org/site/wp-content/uploads/2015/09/CRSlettertoAssemblymemberTingREAB1110_8-18-2015.pdf.

Center for Resource Solutions (CRS). (2016). *How Renewable Energy Certificates Make a Difference*. <http://resource-solutions.org/site/wp-content/uploads/2016/03/How-RECs-Make-a-Difference.pdf>.

Center for Resource Solutions (CRS). (2016). *Additionality and Renewable Energy Certificates*. <http://resource-solutions.org/site/wp-content/uploads/2016/03/RECs-and-Additionality.pdf>.

Holt *et. al.* (2011). *The Role of Renewable Energy Certificates in Developing New Renewable Energy Projects*. National Renewable Energy Laboratory. <http://www.nrel.gov/docs/fy11osti/51904.pdf>.

Jones *et. al.* (2015). *The Legal Basis of Renewable Energy Certificates*. Center for Resource Solutions. <http://resource-solutions.org/site/wp-content/uploads/2015/07/The-Legal-Basis-for-RECs.pdf>.

O'Shaughnessy *et. al.* (2016). *Status and Trends in the U.S. Voluntary Green Power Market (2015 Data)*. National Renewable Energy Laboratory. <http://www.nrel.gov/docs/fy17osti/67147.pdf>.

City and County of San Francisco Civil Grand Jury. (2015). *Clean Power SF: At Long Last*. http://civilgrandjury.sfgov.org/2014_2015/14-15_CGJ_Report_CleanPowerSF_At_Long_Last_7_16_15.pdf.

US Federal Trade Commission (FTC). (2012). *Guides for the Use of Environmental Marketing Claims; Final Rule*. Available at: https://www.ftc.gov/sites/default/files/documents/federal_register_notices/guides-use-environmental-marketing-claims-green-guides/greenguidesfrn.pdf.

US Federal Trade Commission (FTC). (2015). *Letter from James A. Kohm, Associate Director, Division of Enforcement, Bureau of Consumer Protection, to R. Jeffrey Behm, Esq., Sheehy, Furlong & Behm, P.C.* February 5, 2015. Available at: https://www.ftc.gov/system/files/documents/public_statements/624571/150205gmpletter.pdf.

Sotos, M. (2015) GHG Protocol Scope 2 Guidance: An Amendment to the GHG Protocol Corporate Standard. World Resources Institute.

http://www.wri.org/sites/default/files/Scope_2_Guidance_Final.pdf.

State of Vermont. (2015). *Guidance for Third-Party Solar Projects*. [http://www-assets.vermontlaw.edu/Assets/iee/Guidance%20on%20Solar%20Marketing%20\(ID%2085283\).pdf](http://www-assets.vermontlaw.edu/Assets/iee/Guidance%20on%20Solar%20Marketing%20(ID%2085283).pdf).

Thank you for this opportunity to provide comments. Please feel free to contact us with any questions. We are happy to supply any supporting or clarifying information that would be helpful.

Sincerely,

A handwritten signature in black ink that reads "Maya Kelty". The signature is written in a cursive style with a large initial 'M' and a stylized 'K'.

Maya Kelty
Senior Analyst, Policy and Programs