

North American Association of Issuing Bodies

Double Counting Best Practices

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1.0 Introduction

This document contains recommendations for best practices by North American Association of Issuing Bodies (NAAIB) Working Group. The NAAIB Working Group is a voluntary association of tracking system operators and regulators and other experts participating in tracking system operational decisions. The NAAIB is a Program of the Center for Resource Solutions.

The objective of the NAAIB Working Group is to determine the needs of the certificate tracking system participants, regulators and market participants, and then try to accommodate those needs through recommended best practices. This document is not an agreement among tracking system operators. Rather, it presents the thinking of the NAAIB Working Group on best practices that should be encouraged to prevent double-counting of certificates of generation and to maximize harmonization and compatibility among certificate tracking systems. We acknowledge that not all of the recommended best practices are currently taking place. In this respect, the consensus of the group is that it would be ideal if these practices were adopted by tracking systems over time.

The recommendations below are predicated on three assumptions related to double counting:

- It is a primary responsibility of Issuing Bodies (IBs) to ensure that one and only one person or party may hold title to a specific certificate of generation at any given time.
- There are some types of double-counting that can still occur despite all of the best efforts of tracking system operators. And,
- It will require the cooperative efforts of tracking system users, regulators and other market participants to ensure that no double-counting can occur.

In drafting this document, the Working Group strived for policies that are not prohibitively expensive or unnecessarily burdensome on tracking systems, regulators or market participants.

The recommendations reflect the majority thinking on a particular issue, though there may not have been unanimity on all issues.

2.0 Definitions

A **claim** is defined as any public statement, including marketing materials and disclosure labels, that would lead a reasonable person to believe that the entity making the claim owned the generation attributes and was applying them to the product in question.

Double counting, defined broadly, is the sale or use of the same certificate or attributes from one unit of renewable electricity to or by more than one person or entity.

Retirement of certificates is defined as an action taken to remove a certificate from active trading within the same tracking system or any other tracking system.

3.0 Best Practices

CRS is suggesting the following best practices to prevent or avoid opportunities for double counting. Utilities are primarily featured in the double-counting examples below, although the examples could similarly occur with non-utility load-serving entities and marketers in a restructured market context.

3.1 Certificate Retirement

Example 1: A utility operating in more than one state sells a block of certificates to more than one set of customers. The utility retires the certificates in the tracking system, but fails to specify which set of customers the certificates were retired for- they are simply put into a retirement account. The utility shows its regulators in both states its retirement account report, and since the regulators don't talk to one another, they have no way of knowing that a double-sale has occurred.

3.1.1 Best Practice for IBs:

- a. IBs should have the functionality to allow users to permanently retire certificates. Once a certificate is placed in a retirement account, it cannot return to active status within the tracking system or within the NAAIB network.
- b. IBs should have either the functionality to allow users to establish multiple retirement accounts/subaccounts or the ability for a user to specify within a single retirement account the purpose(s) for which the certificates are retired.
- c. In addition, there should some functionality to accommodate the possibility that there may be legitimate double-uses for a single certificate or block of certificates. The best practice for this would be to allow a user to specify somewhere all of the reasons for retirement of a single certificate.
- d. The tracking system should periodically conduct an internal audit on system operations to ensure that there are no instances where a certificate is retired and returned to circulation or to ensure that a single certificate serial number is not found in more than one account.

3.1.2 Best Practice for Tracking System Users:

- a. It is recommended that tracking system users establish separate retirement accounts/subaccounts for specific purposes.

3.1.3 Best Practice for Regulators:

- a. Regulators should specify in regulation whether certificates that are used to meet program requirements may be used for other purposes. If a single use is intended, then regulators should require that a separate retirement account is established for the regulatory program for which the certificates are being used.
- b. Alternatively, regulators may want to establish a retirement account and require entities to transfer the certificate into the designated retirement account that the regulator has set up for the program.

3.2 Utility/Marketer Disclosure

Example 2: A renewable generator sells its certificates to a marketer serving retail customers and its electricity to a utility. The utility's disclosure label lists the power as "renewable" because the state (or tracking system) has no way of accounting for (subtracting) certificates that are sold independent of power.

Example 3: Certificates from a utility-owned renewable generation facility are issued and tracked through an existing certificate tracking system. The certificates are sold to a marketer. The utility selling the certificates publishes its generation mix as part of a voluntary disclosure program and labels the generation from the renewable facility as renewable.

3.2.1 Best Practices for IBs

- a. IBs should have the functional capability to produce reports for tracking system users that summarize by generation type the number of certificates in their various accounts.
- b. For tracking systems that have a periodic settlement or reconciliation process, the system should also be able to summarize the number and type of certificates that are allocated to each load-serving entity at the time of the settlement.
- c. For tracking systems that have a periodic settlement or reconciliation process, the settlement should ensure that certificates that are allocated to load served are functionally retired from the tracking system, such that the certificates can not be claimed by more than one party and/or claimed in more than one year.
- d. For tracking systems that track all electricity, and for which there is not a one-to-one relationship between available attributes and MWhs, (i.e. there is electricity for which the certificates have been sold independently of load served and there remains electricity that has no attributes), we recommend that the MWhs without attributes be assigned the average of remaining certificates not otherwise claimed, reserved or retired. We acknowledge that this creates some minimal double-counting, although we feel this is an acceptable trade-off in order to avoid having MWhs with no attributes and the problems this would create with disclosure.

3.2.2 Best Practices for Tracking System Users

- a. Any claim related to generation attributes should not be made unless the entity making the claim has ownership of the certificates of generation, and has retired those certificates or done the functional equivalent.
- b. Furthermore, load serving entities should rely on the reports produced by tracking systems in making any claims. Public disclosure claims should only be made for certificates that they own and have functionally retired. And, if a utility wishes to makes claims about their generation portfolio, we recommend they also disclose the profile of the load served so as to make clear the fact that some attributes/energy may have been sold to other parties.

3.2.3 Best Practices for Regulators

- a. If there is a tracking system available, regulators should require load serving entities to participate in the tracking system or to assign an agent to participate in the system for them.
- b. Regulators should require load serving entities that have a mandatory disclosure requirement and that are participating in a tracking system to use the tracking system as the source of data when developing their product disclosure label.
- c. If there is no tracking system available, regulators should require load serving entities to develop their disclosure label based on generation contracts for load served, including any imports and netted of any exports or sales.
- d. Regulators should require load serving entities that are participating in a certificate tracking system and that publish a generation disclosure label to retire the corresponding certificates of generation on behalf of their customers, to ensure that such certificates can not be resold or claimed by another entity.
- e. Disclosure claims should be verified by regulators to ensure that no false claims are made and that the load serving entity has enough certificates of generation, in type and quantity, to substantiate the claims made, particularly with regards to disclosure labels.
- f. If a utility wishes to makes claims about their generation portfolio, we recommend they also disclose the profile of the load served so as to make clear the fact that some attributes/energy may have been sold to other parties.
- g. For situations where there is not a one-to-one relationship between available attributes and MWhs and the utility or LSE is NOT registered with a tracking system, we recommend that those MWhs that do not have attributes be assigned a system mix, where the system mix is calculated from all generation in the control area plus imports netted of all exports and bilateral unit specific sales. The intent is to assign the null MWhs with attributes that roughly approximate the “residual mix” used in regions that have tracking systems.¹

¹ We need to do more research as to whether this is a practical suggestion, i.e. are bi-lateral unit specific sales data available?

3.3 Overlapping Tracking System Jurisdictions

Example 4: A RE generating facility is registered with more than one “Issuing Body” and is getting two sets of certificates issued for every MWh generated.

3.3.1 Best Practices for IBs:

- a. IBs should ensure that generating facilities are registered with only one tracking system for the purposes of issuing certificates. (Generators may be registered account holders with more than one tracking system for the purpose of owning and trading certificates.) To do this, during registration each IB should require a sworn affidavit from generators stating that all of the output from their facility will be reported to that IB and only that IB.
- b. Further, the entire output of the generating facility should be tracked by a single IB. For example, generators should not be allowed to create certificates for half of the output from a given facility in one tracking system, and create certificates for the other half of the output in another tracking system.
- c. NAAIB should obtain a list of generators registered with each IB from the public portions of the IBs’ websites, and use this information to create a comprehensive Generator Registry.
- d. Whenever a new generator is registered with an IB, the IB should send the new information to the NAAIB Generator Registry manager.
- e. IBs, state agencies and certificate purchasers can search the Generator Registry to ensure that a generator is registered, for the purposes of issuing certificates, with one and only one tracking system in the NAAIB network.

3.3.2 Best Practices for Tracking System Users:

- a. Generating facilities in North America should register with one and only one certificate tracking system for the purposes of issuing certificates of generation.
- b. Purchasers of RECs can search the Generator Registry to ensure that a generator is not registered, for the purposes of issuing certificates, with any other tracking system in the NAAIB network.

3.3.3 Best Practices for Regulators

- a. Regulators should indicate to generators or LSEs in their jurisdiction which IB(s) they should (may) register with. This guidance or direction should apply whether participation with a tracking system is mandatory or voluntary.
- b. Regulators can search the Generator Registry to ensure that a generator is not registered, for the purposes of issuing certificates, with any other tracking system in the NAAIB network.

3.4 Assigning Attributes to Imported/Exported Power

Example 5: Renewable energy is imported from a region with no tracking system to a region with a tracking system. The utility in the originating state calculates its power mix for the purposes of disclosure based on total generation without netting out exports. Renewable certificates are created when the power is imported into the control area with a tracking system. The resulting certificates end up on a disclosure label of a participant in the tracking system.

The best practices below are for situations where power is moved across a control area boundary where one of the control areas has a certificate tracking system and one does not.

3.4.1 Best Practices for IBs

(Assumes the counter-party is a control area operator without a tracking system in place.)_

- a IBs should create certificates for unit specific energy imports into their tracking system satisfying their requirements.
- b IBs should require users to retire or reserve certificates associated with unit-specific exports.
- c In any instance where system power is imported or exported between control areas, the system mix calculation should include in-region generation plus imports, minus any unit-specific energy sales and exports. Therefore:
 - i If there is a non-unit specific or system power import, the IB in the importing region should assign to the imported MWhs the attributes of the exporting control area system mix where the system mix calculation includes in-region generation plus imports, minus any unit-specific energy sales and exports.
 - ii If there is a non-unit-specific or system power export, the IB should inform the importing control area of their system mix, as defined above..

3.4.2 Best Practices for Control Areas That Are Not Part of a Tracking System

(Assumes the counter-party is an IB.)

- a The system mix calculation for the control area without a tracking system should include in-region generation plus imports, minus any unit-specific energy sales and exports. Therefore:
 - i If there is a unit-specific import, the control area operator should add that import into its regional system mix calculation.
 - ii If there is a unit-specific export, the control area operator should subtract that export from the regional system mix calculation.

- iii If there is a non-unit specific or system power import, the control area operator should add that import into their regional system mix calculation, apply to each MWh imported the system mix provided by the exporting IB.
- iv If there is a non-unit specific or system power export, the control area operator should inform the importing IB of their system mix, as defined above.

3.4.2 Best Practices for Users

- a. Users should retire or reserve certificates associated with unit-specific exports that they initiated.

3.4.3 Best Practices for Regulators

- a. Regulators should oversee the calculation of disclosure labels and provide utilities and other LSEs with guidance on disclosing power mix. The best practices for power source disclosure are outlined under Section 3.2.