



CRS

center for
resource
solutions

August 7, 2017

Geri D. Huser, Chair
Iowa Utilities Board
1375 E. Court Avenue, Room 69
Des Moines, Iowa 50319-0069

Docket No. RMU-2017-0002: Comments of Center for Resource Solutions (CRS) on the July 28, 2017 Order Setting Reply Comments on Rule Making for Renewable Energy Percentage Verification

Ms. Huser:

CRS appreciates this opportunity to submit comments in response to the July 28, 2017 Order Setting Reply Comments on Renewable Energy Percentage Verification. The intent of these comments is to inform the Iowa Utilities Board (IUB) of industry best practices for renewable energy accounting, especially in regard to the treatment of Renewable Energy Certificates (RECs).

Background on CRS & Green-e®

CRS is a 501(c)(3) nonprofit organization that creates policy and market solutions to advance sustainable energy. CRS has broad expertise in renewable energy policy design and implementation, electricity product disclosures and consumer protection, and greenhouse gas (GHG) reporting and accounting. CRS administers the Green-e programs. Green-e Energy is the leading certification program for voluntary renewable electricity products in North America. For over 20 years, Green-e staff have worked with independent third-party auditors to annually verify renewable energy purchases in the voluntary market and ensure purchasers receive full environmental benefits and sole ownership of each megawatt-hour (MWh) of renewable energy they purchase. Verification procedures ensure there is no double counting between voluntary and compliance markets, and that other renewable energy or carbon policies do not claim any of the environmental benefits of certified renewable energy. In 2015, Green-e Energy certified retail sales of over 44 million MWh, representing over 1.2% of the total U.S. electricity mix. In 2015, there were over 827,000 retail purchasers of Green-e certified renewable energy, including 36,000 businesses.

Introduction

While CRS supports the intent of this Rule Making and agrees that providing customers with the ability to make verified renewable energy claims will support demand for green products in Iowa, we are concerned that the treatment of RECs may undermine the legitimacy and accuracy of this verification process. The intent of this Rule Making may be compromised if the verification process does not align with industry best practices, such as those included in the Federal Trade Commission (FTC) Green Guides¹ and the Environmental Protection Agency (EPA) Guide to Purchasing Green Power². If after considering this

¹ US Federal Trade Commission (FTC). (2012). *Guides for the Use of Environmental Marketing Claims; Final Rule*. Sec. 260.15. Available at: https://www.ftc.gov/sites/default/files/documents/federal_register_notices/guides-use-environmental-marketing-claims-green-guides/greenguidesfrn.pdf.

² US Environmental Protection Agency (EPA). (2010). *Guide to Purchasing Green Power*. Available at: https://www.epa.gov/sites/production/files/2016-01/documents/purchasing_guide_for_web.pdf.

perspective the IUB decides to proceed in diverging from nationally-accepted best practices, CRS recommends providing additional disclosures to customers, as described below.

Treatment of Unbundled RECs

CRS is concerned with the language excluding unbundled RECs from this verification process. The proposed amendment to Section 30.1(1) of Rule 199-30(476) states that, “Purchased RECs that are not bundled with the associated energy will not be counted as part of the renewable energy percentage.” Because the stated intent of this Rule Making is to “verify the amount of renewable energy that Iowa utilities provide to their retail customers,” CRS believes that the decision to specifically exclude unbundled RECs neither follows industry best practices nor represents fundamentally accurate accounting for verifying what is being delivered to utility customers.

This sentiment is supported by Previous IUB Rulings. The following language can be found on p. 2 of the 2007 Order Approving Facilities and Associated Capacities, Adopting Requirements for M-RETS Participation, and Requiring Report (Docket No. AEP-07-1):

Because of the laws of physics that govern operation of the electric transmission system, it is impossible to ensure that electricity produced by a particular renewable source is specifically and exclusively directed, in a physical sense, to the purchasing entity. An accounting system that verifies compliance must therefore rely on an agreed-upon abstract medium of exchange similar to the way the financial markets rely on money to represent value. In the renewable energy area, Tradable Renewable Certificates (TRCs)³ have been developed as a medium of exchange representing the renewable attributes of renewable energy.⁴

The value of RECs as an instrument by which environmental attributes may be conveyed and traded is also referenced in IA Code § 476.44A⁵. Since there can be no physical delivery or consumption of specified power on the grid, RECs are used as the essential accounting instrument to verify delivery and consumption of renewable energy. For the same general reasons, there is also no difference in terms of consumer claims between bundled and unbundled renewable energy.

Sourcing electricity and RECs from the same grid region is functionally equivalent to sourcing electricity and RECs from a single grid-connected facility for the purposes of consumer claims. In both cases the customer can claim to be powered with renewable energy, and in neither case are the electrons physically powering their home or business necessarily originating from a renewable facility. The ability of unbundled RECs to legitimize renewable energy usage claims is explicitly supported in Chapter 4 of the EPA Guide to Purchasing Green Power². Additionally, not only does the exclusion of unbundled RECs represent fundamentally inaccurate accounting, but CRS believes that limiting the delivery and consumption of renewable energy to bundled power contracts will also increase costs and limit access. This would have a negative impact on general renewable energy demand and development in Iowa, and it would have a disproportionately high impact on smaller-scale suppliers and consumers.

³ Renewable Energy Certificates are also referred to as Tradable Renewable Certificates.

⁴ Iowa Utilities Board (IUB). (2007). Docket No. AEP-07-1: Order Approving Facilities and Associated Capacities, Adopting Requirements for M-RETS Participation, and Requiring Report. Available at: https://iub.iowa.gov/files/archive/orders/2007/1121_aep071.pdf.

⁵ Iowa Public Utility Regulation § 476.44A. (2017). Available at: <https://www.legis.iowa.gov/docs/code/476.44A.pdf>.

Furthermore, the decision to exclude RECs that were not specifically bundled with the associated MWhs of electricity is inconsistent with language regarding renewable energy claims in the “Redline of the Proposed Rule” included in this Docket. The language in proposed Section 30.1(2) would allow utility customers to increase the percentage of their renewable energy claims by matching an additional portion of their consumption with independently procured RECs. We see no reason to prohibit suppliers from doing the same on their customers’ behalves. CRS believes that this represents more fundamentally accurate accounting, and that this methodology should also be used to support customer claims regarding the verified renewable energy percentage provided by utilities.

Nevertheless, if the IUB decides to make a distinction between bundled and unbundled RECs in terms of accounting for and verifying deliveries of renewable energy to customers and limits the types of purchases or procurements that can be verified and reported to customers, then we recommend providing specific disclosure to utility customers regarding what is and what is not counted toward their verified renewable energy percentage, as well as an explanation of the rationale for this decision.

Distinction Between “Held” and “Retired” RECs

Some oral comments made at the IUB hearing on July 26, 2017 involved counting “held” RECs, i.e. those retained within an M-RETS subaccount but not explicitly retired, toward utilities’ verified renewable energy percentages. CRS discourages this proposition. REC retirement is required in order to prevent double counting. Without REC retirement, RECs may be sold and claimed by other parties after the delivery of renewable energy has been verified by the state. The only means by which to ensure that each megawatt-hour (MWh) accounted for during this verification process is not double counted is to require that RECs be retired in order to be verified by the IUB.

Previous IUB decisions have established precedent for requiring REC retirement to substantiate claims to environmental attributes and protect against double counting. In the IUB Order Approving Facilities and Associated Capacities, Adopting Requirements for M-RETS Participation, and Requiring Report (Docket No. AEP-07-1), it was ordered that utilities “Transfer the M-RETS Certificates associated with energy produced from these facilities and associated capacities to an M-RETS retirement subaccount specifically established to record the utility’s compliance with its AEP obligation under Iowa Code §§ 476.41 through 476.45 and 199 IAC 15.11(1).”⁴

Neglecting to properly retire RECs could create a range of compliance issues, including but not limited to the FTC Green Guides, specifically with Sec. 260.15 on Renewable Energy Claims.¹ Not only does failing to require retirement within M-RETS go against best practices for REC accounting, but this also creates unnecessary legal risk for both utilities and their customers, as it undermines the legitimacy and immutability of consumption claims based on the IUB’s verified renewable energy percentage.

In some cases, utility oversight bodies have required that utilities have their voluntary green power programs certified by Green-e to ensure that the types of best practices referenced in these comments are followed. In 2015, Green-e certified 229 voluntary utility green pricing program participants offering 36 green pricing programs across the country.⁶ Specifically, Green-e certification provides the following assurances:

⁶ 2015 Green-e Verification Report. (2016). Available at: <https://www.green-e.org/docs/2015%20Green-e%20Verification%20Report.pdf>.

- *High-quality renewable energy.* Green-e sets eligibility standards for generation facilities in order to achieve sustainability, market growth, or other policy objectives.
- *Exclusive retail ownership.* Green-e requires verification of sales by an independent third party to prevent double counting and double selling. This audit ensures that RECs are exclusively retired on behalf of customers and not used for the RPS.
- *Exclusive retail claims.* Green-e verifies that attributes have not been double claimed by parties based on different instruments or the underlying physical electricity.
- *Regulatory surplus.* Green-e requires that certified renewable energy is surplus to what is required by state or federal policy or legal mandate.
- *Full attribute aggregation.* Green-e includes market- and state-specific requirements to verify that individual attributes of generation have not been split off, sold elsewhere, or otherwise removed by policy.
- *Customer Disclosure Requirements.* Green-e requires the provision of certain disclosures to customers purchasing certified renewable energy, including certain mailings; prospective and historical Product Content Labels; and a detailed Price, Terms, and Conditions.
- *Oversight of marketing and promotional materials.* Green-e enforces requirements for all marketing of certified renewable energy.

CRS greatly appreciates the opportunity to comment on this Rule Making. We would be happy to supply any other supporting or clarifying information that would be helpful to the IUB.

Respectfully submitted,

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