



September 24, 2020

Arizona Corporation Commission (ACC)
1200 W. Washington Street
Phoenix, AZ 85007

RE: Docket No. RU-00000A-18-0284. Comments of Center for Resource Solutions (CRS) on Possible Modifications to the Commission's Energy Rules and the Special Open Meeting held September 24, 2020

Chairman Burns and Commissioners:

CRS appreciates this opportunity to provide comments on elements of Staff's July 29, 2020 Proposed Draft Rules ("Staff Proposal"), Commissioner Kennedy's proposed amendments no. 2 dated September 16, 2020, a letter from Commissioner Dunn to the Commissioners dated September 23, 2020, and the Special Open Meeting held September 24, 2020.

Background on CRS and Green-e®

CRS is a 501(c)(3) nonprofit organization that creates policy and market solutions to advance sustainable energy. CRS provides technical guidance to policymakers and regulators at different levels on matters related to renewable energy policy design, accounting, tracking and verification, market interactions, and consumer protection. CRS also administers the Green-e® programs. For over 20 years, Green-e® has been the leading independent certification for voluntary renewable electricity products in North America. In 2018, Green-e® certified retail sales of over 62 million megawatt-hours (MWh), serving over 1.2 million retail purchasers of Green-e® certified renewable energy, including 61,000 businesses.¹

Comments

CRS supports Commissioner Kennedy's proposed amendments no. 2 which, among other things:

¹ See the 2019 (2018 Data) Green-e® Verification Report here for more information: <https://resource-solutions.org/g2019/>.

- Add definitions for “renewable energy credit” (REC) and the “Western Renewable Energy Generation Information System” (WREGIS);
- Set an aggressive renewable energy standard of 50% of retail sales by 2028; and
- Require that, “compliance shall be monitored, accounted for, and transferred through the use of RECs as recorded by the Western Renewable Energy Generation Information System.”

These amendments related to tracking, accounting, compliance, and verification are *critical* to ensure the integrity of a renewable or clean energy standard in Arizona.

After repeated attempts to contact ACC Staff via phone or set up an appointment, CRS submitted questions to ACC Staff on September 9 regarding Renewable Energy Standard and Tariff (REST) and/or Clean Energy Standard (CES) compliance under its proposed rules, to which we have received no response. These questions included the following, among others.

1. In what way does provision of the required documentation at Sec. R14-2-2705(E) of the Staff Proposal provide equivalent assurances of compliance and exclusive delivery of clean and renewable power as REC retirement in WREGIS?
2. Does electing not to require RECs for REST/CES compliance increase the risk of double counting generation used for compliance where associated RECs may be used for compliance or to serve voluntary customers in a different state, or different customers in Arizona? Is this a concern? Why or why not?
3. Without REC retirement for REST/CES compliance, how can Arizona customers that voluntarily purchase renewable energy demonstrate that their generation is not being used for compliance and/or delivered to other customers (in other words, that they are getting what they are paying for)?

There must be an instrument or mechanism for tracking, accounting, compliance, and verification for the REST and/or a CES in Arizona, beyond what staff has proposed, in order to ensure the integrity of the program for Arizona ratepayers. This instrument should be WREGIS certificates (i.e. RECs) as the most sophisticated, uniform, and consistent mechanism and in order to avoid double counting, which again would damage the integrity of the program and undercut any ambitious renewable or clean energy target.

Double counting would mean false outcomes for Arizona ratepayers—they would not be getting what they are paying for and any aggressive renewable and clean energy target the Commission might adopt will not reflect reality. Without tracking and verification an aggressive target is meaningless. Market integrity is critical for political support of these programs and private investment in renewable energy in Arizona.

More than half of new renewable energy capacity additions in the West in 2018 were to serve non-compliance demand.² The voluntary renewable energy market leverages private, non-ratepayer funding to support renewable energy sources. Those businesses and other voluntary buyers will not make investments in renewable energy that can be double counted or if they cannot verify exclusive use and benefits with RECs. In other words, the Commission may be creating a barrier to private investment in Arizona if it chooses not to use RECs. Furthermore, voluntary buyers in Arizona would have to get certified renewable energy from outside of Arizona and from where it can be verified that the generation has not been claimed and that it is not being used for compliance. In 2019, the Green-e® program certified over 4.4 million megawatt-hours (MWh) in sales to retail customers in Arizona. This shows strong demand for voluntary renewable energy in the state. Using RECs for REST and CES would allow for this demand to be met by resources in Arizona and the surrounding region—allowing Arizona the opportunity to capture the private investment dollars that may otherwise go elsewhere.

Finally, CRS would like to address Commissioner Dunn’s letter as it pertains to accounting for clean and renewable energy.

First, “emissions-based accounting” does not preclude RECs. Accounting for and verifying delivery of zero-emissions power to Arizona load from renewable sources still requires RECs to avoid double counting. Arizona can have an emissions-based program that still uses and involves RECs. RECs are the aggregated attributes of renewable generation that include the direct emissions associated with generation. Creating a separate compliance instrument, whether denoted in MWh of generation or tons of carbon, would affect and potentially double count RECs.

Because all electricity is identical and electrons cannot be tracked, RECs are the legally enforceable contractual instrument for verifying use and delivery of renewable electricity within the broader context of functioning voluntary and compliance renewable electricity markets in the West and across the United States.³ RECs were created to prevent double counting of renewable energy consumption by, or delivery or sale to, multiple consumers, or more than once by a particular consumer.

Emissions allocated to load should match the fuel type allocated to load. Emissions are determined by fuel type. Whether the state is accounting for energy or emissions that are delivered to Arizona load (neither of which cannot be measured at the point of consumption and both of which must be contractually tracked), this affects RECs.

² Barbose, G. (July 2019). *U.S. Renewables Portfolio Standards 2019 Annual Status Update*. Lawrence Berkeley National Laboratory. Pg. 18. http://eta-publications.lbl.gov/sites/default/files/rps_annual_status_update-2019_edition.pdf

³ See Jones, T. et al. (2015). *The Legal Basis of Renewable Energy Certificates*. Center for Resource Solutions. <https://resource-solutions.org/wp-content/uploads/2015/07/The-Legal-Basis-for-RECs.pdf>.

Also see U.S. Federal Trade Commission (FTC). (February 5, 2015). Letter to Sheehy Furlong & Behm P.C. regarding Petition to Investigate Deceptive Trade Practices of Green Mountain Power Company In the Marketing of Renewable Energy to Vermont Customers. p. 3-4. http://blogs2.law.columbia.edu/climate-change-litigation/wp-content/uploads/sites/16/case-documents/2015/20150205_docket-na_letter.pdf

Second, Commissioner Dunn expressed concerns around which renewable or clean energy should be eligible for compliance—specifically, based on where it is located (e.g. in or outside of Arizona)—but these are not concerns about RECs or using RECs for compliance. The Commission can set eligibility restrictions on renewable and clean energy that is used for compliance, based on location, type of procurement (e.g. bundled power contracts vs. unbundled), etc., and still use RECs as the compliance instrument. RECs are an accounting instrument; they do not dictate any policy preferences around eligibility of supply. And again, if the state does not use RECs, then in-state renewable energy might be double counted if the generators sell their RECs out of state.

In conclusion, CRS strongly recommends that Arizona uses RECs for compliance with a renewable or clean energy standard, whether the target is denoted in MWh or emissions, for program integrity and to protect economic benefits for Arizona, as proposed by Commissioner Kennedy in her proposed amendments no. 2.

Please let me know if we can provide any further information or answer any other questions.

Sincerely,

_____/s/____

Todd Jones

Director, Policy