April 6, 2021

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Market Development
ISO New England Inc.
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Dave Cavanaugh
New England Power Pool (NEPOOL), Chair of the Participants Committee
c/o Energy New England
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RE: COMMENTS OF CENTER FOR RESOURCE SOLUTIONS (CRS) ON THE STRAW FORWARD CLEAN ENERGY MARKET (FCEM) FRAMEWORK

Dear Mr. Geissler and Mr. Cavanaugh:

CRS appreciates this opportunity to provide feedback on the Straw FCEM Framework, as described in a March 11, 2021 Memo from ISO New England (ISO-NE) to the NEPOOL Participants Committee Working Session ("Memo") and presented at a March 18, 2021 NEPOOL Participants Committee Meeting on Pathways to a Future Grid. Our comments are primarily focused on Section 4 of the Memo, "Interaction with existing state programs (RECs, etc.)." CRS has been deeply involved in renewable energy and greenhouse gas (GHG) accounting across the U.S. and we are concerned that future market design frameworks and elements could disrupt existing renewable energy markets and limit their growth going forward. We understand that the Straw FCEM Framework is intended to inform pathways modeling efforts. Our comments pertain to the overall viability and desirability of different approaches within the FCEM pathway and their impacts on existing markets and programs. We believe these potential impacts may need to be reflected in the modeling, and if not, they will be important to consider along with and to flesh out modeling results.

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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 regulators, utilities, and others on renewable and clean energy policy and program design, accounting, tracking and verification, market and program 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 2019, Green-e® certified retail sales of over 69 million megawatt-hours (MWh), serving over 1.6 million retail purchasers of Green-e® certified renewable energy, including over 113,000 businesses.[1]

COMMENTS AND QUESTIONS

1. Clarification is needed regarding the "compliance obligation" under the FCEM framework.

To the extent that the Straw FCEM Framework mentions "compliance" (or at least non-compliance penalty rates), the nature of the wholesale requirement for which Clean Energy Attribute Credits (CEACs) will be used is unclear, including who the regulatory authority is (where the compliance obligation is coming from) and who has the obligation (the compliance/regulated entity).

How CEACs are used and interactions with existing state programs may be determined, in large part, by who has the compliance obligation. For this reason, it may be important to include these considerations in the model. For example, one could envision a renewable energy certificate (REC)-type model under which the load-serving entity (LSE) has the compliance obligation, versus a Forward Capacity Market (FCM)-type model under which "compliance" occurs at a higher (perhaps state) level and there is an allocation of costs to LSEs.

Regarding "dynamic" CEACs that contain information related to marginal emissions intensity, clarification is needed regarding whether and how the marginal emissions intensity affects compliance, e.g., the number of certificates.

2. Preserving the aggregation of generation attributes in a single instrument for retail delivery claims and compliance, e.g., Generation Information System (GIS) certificates, should be a priority in market design to avoid double counting and protect the integrity of renewable energy markets.

[1] See the 2020 (2019 Data) Green-e® Verification Report here for more information: https://resource-solutions.org/g2020/.

It is critical that the markets for renewable energy be able to continue functioning under a new wholesale framework, which requires 1) maintaining verifiable and exclusive retail transactions and delivery of renewable energy, and 2) full aggregation of renewable generation attributes in a single instrument for retail transactions and delivery claims. The introduction of CEACs raises concerns related to double counting of generation from renewable facilities and disaggregation of RECs, either of which could reduce overall regional demand for renewable energy.

New England needs a clear and consistent mechanism for retail delivery of renewable energy. If there are multiple instruments (e.g., CEACs and RECs/GIS certificates), attributes should be preserved in the instrument that is used for retail transactions and claims. If there are multiple retail instruments, then double counting (delivery to multiple customers) must be avoided—e.g., a single instrument for a given unit of generation. If there is only one instrument, it must carry information that LSEs and other market participants need to demonstrate retail delivery and use.

Creating a separate instrument for wholesale delivery of renewable energy would create a risk of double counting. For a given unit of generation, there should be a single instrument for *delivery* of attributes for both wholesale and retail resource-specific delivery claims if/when a delivery claim is indeed being made at the wholesale level. There could be multiple instruments for delivery but only for different generation, and this may be confusing and disrupt the retail market. RECs and other GIS certificates 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.

Attributes should be fully aggregated in the instrument used for retail transactions and claims. Market design should not remove or disaggregate attributes from the retail instrument, e.g., to allow certain attributes to be used in the wholesale market while others remain for the retail markets. Compliance and voluntary renewable energy markets rely on the integrity of fully aggregated instruments in order to deliver all of the benefits of renewable generation, particularly related to both direct and avoided grid emissions. It is unlikely that disaggregated RECs could be used either for state compliance or voluntary programs, and the advantages of separating (or relinquishing part of a REC) and then recombining attributes for credible retail transactions and claims are unclear. Disaggregating the REC (e.g., separating the GHG attribute from the REC) may upend contracts (existing and in the pipeline) worth potentially billions for clean power, as well as power source disclosure and other programs based on regional system and residual mix calculations performed in NEPOOL-GIS.

Finally, market design should avoid harm to voluntary renewable energy markets. It should maintain pathways to “regulatory surplus” for the voluntary market without significantly increasing the cost of voluntary renewable energy. Voluntary renewable energy—renewable generation purchased voluntarily by businesses and individuals to meet their own goals—has historically not been used to

meet governmental targets, laws, or legal mandates. The voluntary market stands apart from and builds on compliance efforts. This separation enables the voluntary market to make an incremental difference often referred to as "regulatory surplus." Where renewable energy sold into the voluntary market does not have an effect beyond compliance, particularly compliance related to GHG emissions, this changes the effectiveness of voluntary renewable energy as a climate change solution for participating companies and individuals. As such, voluntary demand for renewable energy may decline.

For example, where both CEACs and RECs are issued, even where there is no double counting and attributes remain with the REC, the CEAC may be used for compliance at the wholesale level while the REC is used for a voluntary transaction of renewable energy. In this case, the impact of the voluntary market on renewable energy development in the region versus the state is unclear. To resolve this, both the CEAC and the REC could be purchased by and transacted to the voluntary buyer, such that the CEAC is not used for compliance, though that may increase the cost of voluntary renewable energy. Or, if only either a CEAC or a REC is issued for a single unit of renewable generation, a voluntary purchase of the instrument would ensure regulatory surplus for the buyer.

3. To maintain clear and consistent retail delivery claims and avoid double counting, the following should be prioritized for each of the three approaches to interactions with existing programs presented in the Memo.

   Approach 1: Avoid disaggregation of attributes, and maintain use of RECs and other GIS certificates for retail transactions and claims. CEACs are used for compliance only.

   Approach 2: Ensure that CEACs deliver retail claims if issued instead of RECs/GIS certificates and avoid double issuance.

   Approach 3: Ensure that CEACs deliver retail claims.

Under Approach 1, CEACs are described as representing a new "clean" environmental attribute that is distinct from other "renewable" attributes. The Memo states that, in this case, the FCEM does not directly interact with existing state policies. However, to avoid disaggregation of attributes in RECs and GIS certifications and maintain clear and consistent retail transactions, CEACs under Approach 1 should be redefined to represent a new, "compliance only" instrument that contains no attributes and cannot be used for and does not affect delivery or customer usage claims. Only in this case would Approach 1 not affect RECs used in existing state programs and voluntary markets. For dynamic CEACs, information related to marginal emissions intensity can be included on CEACs, though again, RECs and other GIS certificates generally include avoided emissions benefits for consumers, and this attribute should not be disaggregated from the retail certificate.

Under Approach 2, generators must choose between RECs and CEACs, and between the wholesale and retail market. This effectively creates a Renewable Portfolio Standard (RPS) or clean energy standard (CES) at the regional level, which may compete for supply with state programs and retail markets. It is important that we do not lose the ability to verify retail delivery and transactions of generation where a generator chooses CEACs. CEACs, in this case, should deliver retail claims, though it is unclear how and whether CEACs could be used for compliance with state programs, and whether LSEs would procure CEACs.

Under Approach 3, state programs are discontinued. While this approach does not require consideration of direct interactions with the existing state programs, in this case again, there needs to be a retail application for CEACs, and they must carry information relevant to retail customers and demand. It is important that New England not lose the ability to verify retail delivery. If LSEs are not the regulated entity under this approach, or unless LSEs can retire CEACs, it is unclear how they will demonstrate which resources (e.g., clean or renewable) they are delivering to load.

4. It would be helpful to model and/or explain the advantages of using CEACs (and all approaches, but particularly Approaches 2 and 3) versus the use of existing GIS certificates in the wholesale market for "bundled" wholesale transactions in an FCEM.

5. Additional clarification is needed regarding the use of the existing GIS for tracking and the circumstances under which CEACs and GIS certificates can be issued under the three approaches.

Using the existing GIS for tracking CEACs may mitigate some risks of double counting, but the details of issuance, transfer, and retirement of CEACs under the different approaches, particularly retirement protocols and functionality for CEACs, will be important to ensure that retail claims remain clear and consistent. These details may also help determine use and potential volumes of CEACs. For example, under Approach 2, it is unclear whether generators could split generation between RECs and CEACs, or perhaps switch back and forth between issuing one versus the other, and if so, how often.

Please let me know if we can provide any further information.

Sincerely,

_____/s/_____
Todd Jones
Director, Policy