CPUC Rules on Renewable Energy Credits

Edward Randolph
Director, Energy Division
California Public Utilities Commission

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What is a REC?

• A Renewable Energy Credit (REC) is a unit of account, representing that one megawatt-hour (MWh) of renewable energy has been produced.  
  • RECs can be bundled and unbundled.

• RECs are **used to verify compliance** with a state’s Renewables Portfolio Standard (RPS) program or a party’s claim to be purchasing renewable electricity separate from an RPS requirement.
Unbundled RECs are Neither Good nor Bad

• Whether use of an unbundled REC is good or bad depends on the policy goals of the program:

  • Greenhouse gas (GHG) reduction
  • Low cost compliance
  • Diversity of options
  • Local air quality
  • Economic development
REC Transactions
(Portfolio Content Categories)

RECs can be procured in three ways:

1. **Category 1: Bundled**
   - Procurement of energy and RECs delivered to a California balancing authority (CBA)
   - Generating facility can: 1) be directed interconnected to a CBA, 2) deliver its energy without substituting electricity from another source, or 3) dynamically transfer energy to a CBA

2. **Category 2: Firmed and Shaped**
   - Procurement of energy and RECs from an RPS facility that has not already committed energy to another party and energy is not sold back to generator
   - Renewable energy is firmed and shaped with substitute energy scheduled into a CBA within a calendar year

3. **Category 3: Unbundled**
   - RECs procured separately from underlying energy

Source: CPUC D. 11-12-052: [http://docs.cpuc.ca.gov/WORD_PDF/FINAL_DECISION/156060.PDF](http://docs.cpuc.ca.gov/WORD_PDF/FINAL_DECISION/156060.PDF)
REC Limits
(Portfolio Content Category Requirements)

• First compliance period (2011-2013)
  • Min category 1 = 50%
  • Max category 3 = 25%

• Second compliance period (2014-2016)
  • Min category 1 = 65%
  • Max category 3 = 15%

• Second compliance period (2017-2020)
  • Min category 1 = 75%
  • Max category 3 = 10%
CPUC Definition of a REC

A REC for compliance with the California’s RPS is:

- A certificate of proof, issued through the Western Renewable Generation Information System, associated with eligible renewable resources interconnected to the Western Electricity Coordinating Council (WECC).

- Includes all renewable and environmental attributes associated with the generation of eligible electricity, including any avoided emission of pollutants (i.e., includes all GHG attributes associated with the generation of the electricity, so can not also be used for Cap and Trade compliance).

- Does not include emissions reductions from the treatment of bioenergy feedstock.

Source: CPUC decision (D.) 08-08-028: [http://docs.cpuc.ca.gov/word_pdf/FINAL_DECISION/86954.pdf](http://docs.cpuc.ca.gov/word_pdf/FINAL_DECISION/86954.pdf)
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