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September 22, 2008

VIA FACSIMILE - 919-733-7300

Ms. Renne Vance  
North Carolina Utilities Commission  
4325 Mail Service Center  
Raleigh, NC 27699-4325

**FILED**  
**SEP 23 2008**  
Clerk's Office  
N.C. Utilities Commission

**RE: Comments of PJM Environmental Information Services, Inc.  
Administrative Docket No. E-100, SUB 121**

Dear Ms. Vance:

Attached please find the comments of PJM Environmental Services, Inc. in connection with the administrative docket, *In the Matter of Implementing a Tracking System for Renewable Energy Certificates Pursuant to Session Law 2007-397*. The original comments and thirty (30) copies have been sent to your attention today via overnight delivery.

Thank you for your attention.

Sincerely,

  
Jennifer A. Bellwoar  
Corporate Secretary

CEK  
AG  
7Comm  
Benning  
Kirk  
Watsch  
Hewer  
Kite  
Hilburn  
Jones  
Sessame  
Enzon  
PJM Dir.  
Acc 3  
Econ 2  
Legal 3  
Elec. 4

**BEFORE THE NORTH CAROLINA UTILITIES COMMISSION**

**In the Matter of Implementing a       :**  
**Tracking System for Renewable     :** **Administrative Docket No. E-100, SUB 121**  
**Energy Certificates Pursuant to     :**  
**Session Law 2007-397               :**

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**Comments of**  
**PJM Environmental Information Services, Inc.**

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**I. INTRODUCTION**

The North Carolina Utilities Commission (Commission) has been charged with the responsibility to create a program to implement a system for monitoring of compliance with and enforcements of the requirements of the Renewable Energy and Energy Efficiency Portfolio Standards (REPS) and develop procedures to track and account for renewable energy certificates (RECS).<sup>1</sup> In its February 29, 2008 and March 13, 2008 Orders, the Commission concluded that a “third party REC tracking system would be beneficial in assisting the commission and stakeholders in tracking the creation, retirement and ownership of RECs for compliance with Senate Bill 3.”<sup>2</sup>

PJM Environmental Information Services, Inc. (EIS), a Delaware corporation, has created the Generator Attributes Tracking System (GATS) that is used to create, track and facilitate trading of renewable credits in several states. EIS believes that the GATS can be used by the Commission as a tracking system for RECs to assist in determining compliance with REPS. EIS is uniquely positioned to provide such a system given its relationship with PJM Interconnection, L.L.C. (PJM), the administrator of the regional

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<sup>1</sup> See G.S. 62-133.8(i)

<sup>2</sup> Orders Adopting Final and Amended Rules Implementing Senate Bill 3 Docket No. E-100, Sub 113,

wholesale energy market. Further, there are efficiencies to be gained by having a single RECs tracking system that could be used by entities that serve load in multiple states within the PJM market. EIS' experience in managing the GATS in other states also enables it to provide useful recommendations to the Commission with regard to defining the requirements for the REC tracking system.

EIS appreciates and supports the efforts of the Commission, and welcomes the opportunity to provide these comments.

## **II. COMMENTS**

### **A. Overview of the GATS**

EIS was created for the purpose of providing environmental registry, certificate creations and tracking services through GATS, which became operational in September 2005. The GATS project was initiated in response to inquiries from state regulatory commissions, other state agencies, and market participants which must comply with state-imposed fuel mix and emissions disclosure and renewable portfolio standard requirements. The states and PJM market participants that participated in the working group that developed the conceptual system design for the GATS believed that a single, regional, integrated system would be the most cost-effective approach to serve the public policy and regulatory needs of the multiple state agencies responsible for implementing their respective requirements. These parties further believed that an integrated system would be more accurate, and prevent various issues such as double counting of renewable resource credits.

The GATS is designed to be policy neutral to the greatest extent possible - it does not favor one renewable resource over another, nor one state's resource requirements

over another, and it will support a variety of state policies and voluntary green markets. The design of the GATS is an “unbundled,” certificates-based tracking system. This means that the attributes, or characteristics of the generation, are separated from the MWh of energy and recorded onto an electronic certificate after the MWh of energy is produced. There is one certificate, with a unique serial number, representing the attributes of the generation for each MWh produced.

The GATS system:

- ensures accurate accounting and reporting of generation attributes;
- facilitates bilateral transactions of the attributes via certificates between market participants;
- supports the current requirements of various state agencies and has the flexibility to accommodate varied and evolving state policies or programs;
- mitigates seams issues with adjoining markets to allow the potential of trading certificates across regions; and
- promotes a robust renewable market.

GATS creates certificates for all generation sold in the PJM wholesale electricity market which covers all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia and the District of Columbia. In addition, GATS creates certificates for customer sited and behind-the-meter generating units located in the PJM footprint, and generating units external to PJM that qualify for PJM-state RPS programs. The GATS currently has 214 account holders and over 435 registered renewable generators. Through June 2008, more than 121,000,000 MWh of renewable energy certificates were generated in GATS since tracking began in 2005. GATS accountholders use the GATS to demonstrate

compliance with RPS programs in five PJM states: New Jersey, Maryland, Pennsylvania, District of Columbia, and Delaware. In addition, GATS certificates are being used for RPS compliance in Illinois, and the Public Utility Commission of Ohio has issued draft rules stating that GATS certificates can be used when the Ohio RPS takes effect in January 2009.

### **B. Benefits of a Regional Tracking System**

The primary benefits of a large geographic area relate to competition, market liquidity, fungibility of certificates, minimization of seams issues, and more cost-effective development and operation of the system. Larger regions, by virtue of a larger market, include more buyers and sellers, which promote price competition. Renewable energy credits can be tracked by location to permit use in meeting criteria only as approved by individual state programs. Liquidity and fungibility will naturally increase if the renewable energy credits can be used in a broader geographic area. Renewable energy credit imports and exports between tracking systems (seams), or between a geographic area with a tracking system and one without, are decreased or eliminated as the geographic area expands. Finally, the start-up costs of the system and the cost of ongoing operation are spread across more users and jurisdictions as the geographic scope grows, increasing economies of scale. In general, the broadest possible geographic area for a renewable energy credit-tracking system is preferred because of these benefits.

### **C. Comments on System Requirements**

As stated above, GATS is designed to be policy-neutral to the greatest extent possible with the flexibility to satisfy a wide range of state RPS program requirements. The system accommodates:

- resource eligibility requirements specific to each state

- banking certificates to accommodate certificate expiration as determined by state policy or regulation
- retirement of certificates for RPS compliance, to support sales in voluntary markets, or for other reasons
- exports to compatible tracking systems
- a bulletin board to facilitate bilateral trades

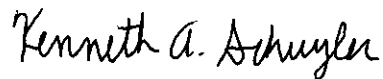
EIS does not opine on the specific requirements contained in Attachment A, except to suggest that the Commission should be flexible to accept systems that provide equivalent, but not identical, functionality.

### **III. CONCLUSION**

EIS has successfully implemented the GATS in several states which demonstrates that its system is capable of meeting the Commission's requirements for its REC tracking system. There are efficiencies to be gained by having a single system in the region support all of the various regulatory requirements of the states within the PJM footprint. Using the GATS to address the state's requirements for a REC tracking system would enable seamless transfers of RECs between the PJM and non-PJM portions of North Carolina. Given the benefits of a regional tracking system, EIS respectfully requests that the Commission consider alternatives to implementing a single-state tracking system for North Carolina. Specifically, EIS requests that Commission consider using GATS, an existing multi-state tracking system already serving a portion of North Carolina that can easily be enhanced to provide a cost-effective solution to the REC tracking requirements contemplated in Senate Bill 3.

EIS appreciates the opportunity to offer comments on the Commission's requirements for implementation of a RECs tracking system, and welcomes the opportunity to discuss further details regarding how the GATS may be used by North Carolina to facilitate supplier compliance with RPS. EIS also refers the Commission to the PJM-EIS website, [pjm-eis.com](http://pjm-eis.com), for further background and current information on the GATS.

Respectfully submitted,

A handwritten signature in cursive script that reads "Kenneth A. Schuyler".

Kenneth A. Schuyler  
Vice President  
PJM Environmental Information Services, Inc.  
Dated: September 22, 2008

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