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NCSEA

North Carolina Sustainable Energy Association

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VIA HAND DELIVERY

FILED
JUL 17 2008

Clerk's Office
N.C. Utilities Commission

Docket
E1005-113
pers. Watson

July 17, 2008

Ms. Renne C. Vance
Chief Clerk

The NC Utilities Commission
4325 Mail Service Center
Raleigh, NC 27699-4325

Re: Petition

E100 SUB H3
121

Dear Ms. Vance:

Enclosed please find the original and 30 copies of the North Carolina Sustainable Energy Association's Petition to the Commission to initiate a generic formal proceeding to investigate, evaluate and ultimately adopt the requisite elements and criteria for a Renewable Energy Certificate tracking system to assist in determining compliance with North Carolina's Renewable Energy Portfolio Standard.

Thank you for your attention to this matter.

Very truly yours,

Kurt Olson

Kurt Olson with permission

ROSALIE R. DAY

Rosalie R. Day

(21)

Full Comm.

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

Docket No. E100 SUB H3 121

FILED

JUL 17 2008

Clerk's Office
N.C. Utilities Commission

In the Matter of the)
Petition by NCSEA for a Generic)
Formal Proceeding to Investigate,)
Evaluate and Adopt Elements and)
Criteria For a Renewable Energy)
Tracking System for North Carolina's)
Renewable Energy Portfolio Standard)

**PETITION FOR A GENERIC FORMAL PROCEEDING TO INVESTIGATE,
EVALUATE AND ADOPT ELEMENTS AND CRITERIA FOR A RENEWABLE
ENERGY TRACKING SYSTEM FOR NORTH CAROLINA'S RENEWABLE
ENERGY PORTFOLIO STANDARD**

Pursuant to NC Gen. Stat. 62-30 and 62-31 and NCUC Rules 1-4(2) and 1-5, the North Carolina Sustainable Energy Association ("NCSEA") hereby petitions the North Carolina Utility Commission (the "Commission") to open a docket and commence all necessary formal proceedings to investigate, evaluate and identify the requisite elements and criteria of an appropriate Renewable Energy Certificates Tracking System ("REC Tracking System"). In this regard, NCSEA further proffers below the elements and criteria necessary to a functional tracking system and submits that these elements and criteria are the bare minimum needed for a proper and reliable REC Tacking for tracking Renewable Energy Certificates ("RECs") to assure compliance with North Carolina's Renewable Energy Portfolio Standard ("REPS"). The elements and criteria outlined below were initially developed for an entity operating under a renewable energy portfolio standard in the State of Texas and have since become the hallmark standard throughout the United States for all tracking systems used to ascertain compliance with such

portfolio standards. The adoption of these criteria and elements in North Carolina to evaluate qualified tracking systems would be consistent with this national trend, assure that North Carolina's REPS is in line with recognized best practices, and provide the reliability and uniformity that is mandated to insure that North Carolina's REPS meets the goals and the objectives envisioned by the General Assembly and general public when the standard was adopted as law and implemented by the Commission's rules.

As stated in more detail below, the relief NCSEA seeks is both procedural and substantive. Procedurally, NCSEA petitions the Commission to open a docket to investigate, evaluate and identify the requisite elements and criteria for an appropriate REC Tracking System. Substantively, NCSEA urges the Commission to find that any system must, at a minimum, incorporate the elements and criteria set forth below.

I. DISCUSSION.

A. Statement of Identity and Interest.

NCSEA is a not-for-profit corporation under North Carolina law, with individual members and member businesses across the state. Its purpose is to ensure a sustainable future by promoting renewable energy and energy efficiency in North Carolina through education, public policy and economic development. Its address is North Carolina Sustainable Energy Association, Post Office Box 6465, Raleigh, North Carolina 27628.

The attorney for NCSEA to whom all correspondence should be addressed is Kurt J. Olson, P.O. Box 6465, Raleigh, NC 27628. In addition, all email correspondence should be sent to kurt@energync.org with copies to Rosalie Day, Policy Director, rosalie@energync.org.

NCSEA was a driving force behind the enactment of North Carolina's REPS, Session Law 2007-397 (Senate Bill 3) and is intimately familiar with the significant benefits that can be derived through the proper implementation of that standard in this State. NCSEA also was

instrumental in the Commission's Generic Proceeding E-100, Sub 113, which resulted in the promulgation and adoption of final rules implementing the Senate Bill 3 and the REPS. NCSEA has a broad range of substantive knowledge on the matters addressed herein and is widely recognized as having unparalleled expertise on the best practices in policy and technology for energy efficiency, renewable energy and sustainable energy.

B. Statement of Fact.

1. Need for RECs Tracking System.

In August 2007, North Carolina became the first state in the southeast to adopt a REPS. Under this law, electric utilities in North Carolina are required to generate a portion of their electrical output using renewable energy sources, such as, solar, wind and biomass generation. Investor-owned utilities are required to meet 12.5% of energy demand through renewable sources by 2021 while rural electric cooperatives and municipal electric suppliers are subject to a 10% REPS requirement. These utilities also must meet incremental requirements in earlier years.

The law allows the affected utilities to meet the REPS requirements several ways including by purchasing renewable energy certificates or "RECs." An REC is defined in pertinent part as "tradable instrument that is equal to one megawatt-hour of electricity or equivalent energy supplied by a renewable energy facility, new renewable energy facility, or reduced by implementation of an energy efficiency measure that is used to track and verify compliances with the [REPS] requirements" N.C. Gen. Stat. 62-133.7(a)(6). The Commission is required to "[d]evelop procedures to track and account for [RECs], including ownership of [RECs] that are derived from a customer owned renewable energy facility" N.C. Gen. Stat. 62-133.7(i)(7)

In February 29, 2008, the Commission issued a final order in Docket No. E-100, Sub 113 implementing North Carolina's REPS. With respect to a REC tracking system, the Commission concluded that a "REC tracking system would be beneficial in assisting the Commission and stakeholders to track the creation, ownership and retirement of RECs for compliance purposes."

See Docket E-100, Sub. 113, Order Adopting Final Rules at 27 (hereinafter “Final Rules at ___”).

The Commission stated that it would begin immediately to identify an appropriate third-party REC tracking system for North Carolina, but in the mean time would rely on registrations, certified attestations, contract terms and compliance reports to track RECs and REPS compliance. *Id.* Many of the parties commenting on the REPS rule, including the investor-owned utilities and Public Staff, urged the Commission to initiate a proceeding to investigate REC issuance and tracking and to adopt an appropriate REC tracking system. *See e.g.*, Final Rules at 25 and 26. Thus, there would appear to be overwhelming support and little, if any, opposition for the procedural relief NCSEA requests herein.

2. Necessary Elements and Criteria of a RECs Tracking System.

A RECs tracking system for North Carolina should be focused on compliance with the REPS established in Senate Bill 3.

a. Necessary Functionalities of a Tracking System

The necessary functionalities of any RECs tracking system should be requirements of a vendor supplying a product or services. The criteria against which the requirements should be judged are reliability, ease of use for all users and the expense of the tracking system. The importance of ease of use cannot be discounted. An electronic tracking system should not require intermediary support for account users or for administrative users. Also, the tracking system should not allow identical REC serial numbers to occur in two accounts. This is critical to easing the burden and expense of REPS compliance for the utilities, the renewable energy suppliers and the responsible party for determining compliance, the Commission.

b. User Types

There are three major users types of a RECs tracking system:

1. Renewable Energy Generator Accounts (registered with the Commission);
2. Utilities with REPS Obligations Accounts (“Utilities”); and
3. Commission/Public Staff Administrative User.

Each user type must have access to the electronic tracking system and certain functions. Within types of accounts, each user must also have a secure login for their own confidential account. The login functions are much like online banking. The account settings ensure that only the specified user is able to utilize the functions of their account.

The functionalities for the user types below include some subset of the functionalities that are necessary for the three major types of users.

- Commission/Public Staff Viewer User
- Aggregator Accounts (registered with the Commission)
- Optional login for brokers, assisting in identifying parties for transactions and never taking delivery of RECs.
- Optional login for other voluntary RECs retirement accounts
- Optional login for public viewing (view only, select information)

c. Account Functions Specified by User Type

Functions by user type are listed below. Some functions require entry and some are automated, occurring in the “back end of the system.” With each function is a suggested information display. These functional displays are termed as “*user interfaces*.”

i. Renewable Energy Generator Accounts (as registered with the Commission)

- **Login function** is a password protected user name

- **Upload function** files data to populate the accounts of RECs generated where 1 MWh = 1 REC stamped with a unique serial number and differentiated by month/quarter and year (vintage) by fuel type (stored in data files in back end of the system); *user interface* should display REC quantities by vintage and fuel type in an “active” field
- **Expiration function** should be automatic, 3 years after vintage date (back end of system remove RECs); *user interface* should show expired quantities by vintage and fuel type in an “expired” field netting them from the “active” field.
- **Transfer function** allows Generator to transfer to Utility of other accounts, a transaction supported by bilateral contract to Utilities or broker either long term or spot market; *user interface* should (a) allow entry of quantities by vintage and fuel type to be transferred to other accounts in the system (user and back end of system); (b) display transferred quantities by vintage, fuel type and to whom the RECs were sold; and (c) provide for display, at a minimum, a list of Utilities (and other entities who are eligible to be on the receiving end of RECs transfers), to ensure the system recognizes the name
- **Pending function** allows Generator to view RECs pending transfer to a recipients account. The recipient must accept the RECs so the system has protection from transfers in error, *e.g.*, the wrong recipient, the wrong quantity, a delay in the financial transaction; *user interface* should indicate those RECs by vintage and fuel type that are pending transfer.

- **Retirement function** allows Generator to voluntarily retire RECs; *user interface* should (a) allow entry of quantities by vintage and fuel type to be retired in the system (user and, again, the back end system function pulls the serial numbered RECS by vintage and fuel into the retirement account); and (b) show retired quantities by vintage and fuel type in a “retired” field.

ii. Utilities with REPS Obligations Accounts (Utilities)

- **Login function** is a password protected user name
- **Accept function** allows Utility to accept RECs transfers pending from other accounts, (supported by bilateral contract) that once accepted, triggers the transfer of the RECs specified by vintage and fuel to populate; *user interface* should allow for the selection of “yes” or “no.”
- **Populate function** allows the transferred RECs by vintage and fuel to be displayed as quantities as the back end system function pulls the serial numbered RECS by vintage and fuel into the recipients account; *user interface* should indicate quantity by vintage and fuel type in an “active” field
- **Retirement function** allows Utility to retire RECs for compliance; *user interface* should (a) allow entry of quantities by vintage and fuel type to be retired in the system in a specified year (user and, again, the back end system function pulls the serial numbered RECS by vintage and fuel into the “retired” field); (b) display obligation quantities for the three set aside fuel types and minimum number of RECs for compliance (75% until 2020 - if the Utility-specific REPS Compliance Plan reflects 25% energy savings through implementation of energy efficiency measures) as based on the percentage of

prior year's retail sales; and (c) user interface should show retired quantities by vintage and fuel type in a "retired" field.

- **Matching Function** should display "compliance" for a given compliance year when the retirement fields quantities equals the obligation fields quantities for total RECs and the set-asides.
- **Compliance Function** *to determine compliance obligation quantities could be entered through the Utility user interface or by the Commission/Public Staff Administrative user.*
- **Transfer and Pending functions** will be required if utilities are allowed to sell excess RECs.

Cost-recovery Account (reflecting 7-year banking period for compliance)

This is new custom functionality for North Carolina, designed to flag RECs for which cost recovery has occurred and by year in which it occurred. User allowed to select quantity of RECs (by vintage and fuel) from "active" field for transfer to "cost-recovered" field pending Administrative user approval. (Alternatively, an Administrative user could be allowed to shift RECs from the "active" to "cost-recovered" field with no pending function necessary.)

RECs shown in the "cost-recovered" field should not be able to be transferred (sold) between accounts, but allow entry for transfer to "retired" field from compliance within the account.

There should be an automatic expiration in 7 years after cost recovery (back end of system remove RECs); *user interface* should show expired quantities by vintage and fuel type in an "expired recovered" field.

iii. Commission/Public Staff Administrative User

- **Login function** is a password protected user name.
- **View function** allows administrative user to access to every account (view only or entry with the appropriate security).

Pending function will be required for approval of utility transfer RECs from “active” to “cost-recovered” fields. (Alternatively, an Administrative user could be allowed to shift RECs from the “active” to “cost-recovered” field with no pending function necessary.)

- **Report function** allows at a minimum: (a) printing of screens for all individual accounts; (b) totaling of all RECs across Generator Accounts by vintage and fuel, and separately by active, expired and retired; and (c) totaling of all RECs across Utility Accounts by vintage and fuel, and separately by active, cost recovered, and retired.

3. Summary of Process for RECs Tracking.

The utilities will be issued an account ID and name to login to the system. In the event that the utilities own renewable energy facilities, for example, currently mixed fuel generation, they have two accounts, a Renewable Energy Generator Account to accrue RECs and a Utilities Account to track compliance.

Upon completion of registration, the Commission issues an account ID and name that allows Renewable Energy Generator Accounts to be set-up in the tracking system. RECs are uploaded as determined by the rules.

Bilateral transactions for the sale of RECs occur outside of the system and are supported by legal contractual arrangements. The results of these respective contracts are implemented through transfers in the tracking system.

For a given compliance year, compliance with the overall RECs obligation and the set-asides is determined by the retirement accounts for each utility and displayed in the tracking system. The energy saved through energy efficiency measures, up to 25% of compliance (and 40% from 2021) will need to be projected if measurement and verification has not been completed and netted out of the RECs obligation.

C. Relief Sought.

As noted above, NCSEA seeks both procedural and substantive relief. Procedurally, NCSEA petitions the Commission to open a docket to investigate, evaluate and identify the requisite elements and criteria of an appropriate and reliable REC Tracking System. Substantively, NCSEA urges the Commission to find that any system must, at a minimum, incorporate the elements and criteria set forth above in Section B. 2, herein.

WHEREFORE, NCSEA respectfully requests that the Commission take the following actions:

- (1) Open a docket and commence all necessary formal proceedings to investigate, evaluate and identify the requisite elements and criteria of an appropriate and reliable REC Tracking System; and
- (2) Find that any system must, at a minimum, incorporate the elements and criteria set forth herein.

Dated: *July 14, 2008*

Respectfully submitted,

**NORTH CAROLINA
SUSTAINABLE ENERGY
ASSOCIATION**

Kurt Olson with permission

Kurt J. Olson

Bar No. 22657

NCSEA Staff Counsel

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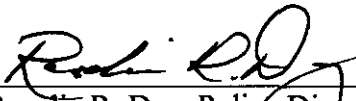
Rosalie R. Day

NCSEA POLICY DIRECTOR
ROSALIE R. DAY

VERIFICATION

STATE OF NORTH CAROLINA
COUNTY OF WAKE

I, Rosalie R. Day, Policy Director for the North Carolina Sustainable Energy Association, verify that the facts set forth in the foregoing pleading and any exhibits, documents, or statements attached thereto are true to the best of my knowledge, except as to those matters stated on information and belief, and as to those matters, I believe them to be true.



Rosalie R. Day, Policy Director, NCSEA
Date signed: July 17, 2008

Sworn to and subscribed before me,
This the 17 day of July, 2008



Notary Public

My commission expires: 12-16-2012

