

Renewable Energy Question 40: In other jurisdictions, where out-of-state renewables are qualified to meet RPS requirements, how are the REC markets structured to accommodate out-of-state RECs?

Executive Summary

1. There are several different structures that can be used when setting up a REC Market that allows out-of-state RECs. Several Midwest states currently allow out-of-state RECs to be utilized, but some limitations generally apply.
 2. To verify that an out-of-state generator qualifies under state law, the generator must be registered with the regulatory body and registered in an approved renewable generation tracking system. Generally, the registration with the regulatory body identifies the generator as qualifying under state law and the renewable generation tracking system is utilized to verify the amount of energy produced by the generator.
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There are several market structures used by other jurisdictions to accommodate out of state renewable generation. Some states, such as Ohio, require a minimum percentage of all Renewable Energy Credits (RECs) to come from in-state resources. Illinois applies a cost limit to their compliance requirements and allows out of state RECs only if the cost-effectiveness test is failed by in-state resources. Wisconsin allows out of state RECs only if the corresponding energy was used by the Electric Service Provider (ESP) to meet in-state demand. It is not uncommon that there is some limitation on the location of the out of state generation. For example, Ohio limits out of state RECs to generators located in states that share a boarder with Ohio. Illinois accepts RECs only from a set of predetermined states. There are many different options and examples of REC markets which allow the import of RECs from out of state. The few described above are examples of the REC markets in the Midwest.

- 2. To verify that an out-of-state generator qualifies under state law, the generator must be registered with the regulatory body and registered in an approved renewable generation tracking system.**

The certification of out-of state RECs is dependent on the jurisdiction in question. Ohio and Wisconsin require the ESP or the generator owner to supply a form to the regulatory body which verifies that the generator or RECs created by the generator qualify for use by the ESP to comply with the applicable state law. Illinois generally requires participation in some sort managed solicitation. Before participating in the

Response from Consumers Energy and MEGA

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solicitation a generator must provide the information required to verify that the RECs would qualify under the state law. The certification of a generator by the regulatory body is typically complemented with registration in a generation tracking system such as M-RETS or PJM-GATS. These systems are similar to MIRECS, but are less state specific and generally track only the energy produced by the generators. By utilizing the generation tracking systems the ESP and the regulatory body are able to verify the amount of renewable energy produced by a given generator. Typically, an out of state generator that wishes to sell RECs would be required to complete the regulatory forms and either register in the appropriate generation tracking system or transfer RECs into the required generation tracking system from another tracking system.