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Renewable Energy Markets Association
Before the Arizona Corporation Commission

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In the matter of the application of Tucson Electric Power for approval of its 2013 Renewable Energy Standard Implementation Plan

Docket No: E-01933A-12-0296

The Renewable Energy Markets Association (REMA) appreciates the opportunity to submit comments to the Arizona Corporation Commission (ACC) response to the Tucson Electric Power's (TEP) application of its 2013 Renewable Energy Standard Implementation Plan (Docket ID: E-01933A-12-0296).

Of particular concern to REMA and its membership of utilities, green power marketers, wind and solar manufacturers are TEP's proposed recommendations for complying with the state's Distributed Generation (DG) requirement. TEP has described in Section VI, Subsection D of its filing a scenario where it will be unable to demonstrate DG compliance due to incentive-less interconnected residential and commercial customers.

Traditionally, TEP has provided its interconnected residential and commercial customers incentives in exchange for the rights to the generator's Renewable Energy Certificate (REC). Citing an environment where this model will decrease in popularity, TEP has requested that the Commission provide guidance on alternative methods for procuring RECs without subsequent compensation. All four of TEP's proposed solutions will deprive affected residential and commercial customers the ability to sell or claim their solar generation.

TEP's Proposals Will Deprive Customers of their REC Property Rights

The proposals from TEP include methods for counting renewable energy to demonstrate compliance without acquiring the REC. If approved, these proposals would run contrary to the overwhelming prevailing practice offered by numerous federal agencies and nearly all state Renewable Portfolio Standards (RPS). For example, recent guidance under the federal E.O. 13514 explicitly requires federal

facilities to own RECs to meet renewable energy and greenhouse gas reduction goals, regardless of the generator's location or federal affiliation.[1]

Furthermore, residential and commercial entities that generate RECs must agree to relinquish or sell their RECs. A government agency that allows a utility to claim the inherent value of the REC, even though the utility hasn't purchased the REC, strips the REC value from the rightful REC owner. This constitutes a government taking of private property. To accurately track, trade, and sell renewable energy, the environmental claims of RECs must not be simultaneously claimed by multiple parties. It does not matter whether TEP attempts to demonstrate DG compliance through other means (i.e. metered data), as any implicit or explicit TEP claim to renewable generation without REC ownership would infringe upon the property rights of REC owners.

When utilities are allowed to claim interconnected renewable energy without the related RECs, the residential or commercial generator is deprived of the opportunity to sell or claim their property. Hawaii's RPS provides a recent example of the damaging impact of TEP's proposed DG policy: Hawaiian eligibility rules contains language that counts all customer-sited, grid connected renewable electricity towards the RPS by default. According to the industry leading Green-e Energy standard, "this [Hawaiian] language results in a double claim of the renewable attributes of the MWh for any renewable energy certificates (RECs) from Hawaii generated since June 2006," meaning the REC may not be sold into the voluntary market nor may the generator claim his or her own electricity as renewable.[2]

The solutions presented offer false choices for utilities seeking DG compliance solutions in an incentive-less market.

A Market Based Mechanism Can Satisfy TEP's Compliance Requirements and Maintain Property Rights
There are competing methods for procuring renewable energy that have not been proposed in the TEP implementation plans. REMA supports a market based mechanism that would maintain REC property rights and allow cost-effective RES compliance. An example of such a solution may be seen below.

The utility issues a periodic standard offer for Residential RECs that includes the following steps:

- An offer for RECs is issued annually or semi-annually via website and remains open for a few days or weeks depending on market response;
- The utility sets an initial price at a low rate and ratchets up the price, if necessary, to gather sufficient RECs for compliance (at utility's discretion to pay as-bid or set a market-clearing price);
- The offer remains open to system owners and third party aggregators who acquire RECs and/or bid them on customer's behalf.

A market based mechanism takes advantage of the robust national and regional voluntary and compliance REC markets. The U.S. National Renewable Energy Laboratory has estimated that in 2010, the voluntary and compliance markets for renewable energy exceeded 90 million MWh,[3] and that total

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[1] U.S. Government, White House Council on Environmental Quality, "Federal Greenhouse Gas Accounting and Reporting Guidance,"http://www.whitehouse.gov/sites/default/files/microsites/ceq/revised_federal_greenhouse_gas_accounting_and_reporting_guidance_060412.pdf, 4 Jun. 2012

[2] Center for Resource Solutions, "Green-e National Standard Version 2.1," http://www.green-e.org/docs/energy/Appendix%20D_Green-e%20Energy%20National%20Standard.pdf , pg. 2, 10 Feb. 2011

[3] L. Bird, J. Heeter, "Status and Trends in U.S. Compliance and Voluntary Renewable Energy Certificate Markets (2010 Data)," Golden, CO: National Renewable Energy Laboratory, pg. 5, Oct. 2011

is projected to reach 200 million MWh by 2015.[4] RECs are environmental commodities with monetary worth, and when generators are offered the opportunity to realize this value, they will respond favorably. Such market based mechanisms are in place in nearly a dozen states, including Colorado, Connecticut, Massachusetts, Illinois, and California.

Conclusion

Again, REMA wishes to thank the ACC for consideration of its comments in response to Docket ID: E-01933A-12-0296. REMA requests that the ACC afford additional time to evaluate its alternative methods for the TEP's proposed 2013 REST Implementation Plan. Should a member of the commission have questions, please do not hesitate to contact us with the information seen below.

Sincerely,

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[4] U.S. Department of Energy, National Renewable Energy Laboratory, "An Examination of the Regional Supply and Demand Balance for Renewable Electricity in the United States through 2015," http://renewablemarketers.org/pdf/resources/NREL_projection_2015.pdf, pg. 23