



SAN MIGUEL
POWER ASSOC.
NET METERING

San Miguel Power Association Net Metering White Paper: Renewable Energy Credits (RECs)

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Overview

A Renewable Energy Credit, or REC, is the non-tangible and marketable, “green” component of renewable energy. One REC represents proof that one megawatt-hour (MWh) of electricity was generated from an “eligible” renewable energy source. A REC is separate from the actual energy produced, and it is the REC itself—not the energy—that legally embodies the environmental attributes that are associated with the electricity that came from a renewable energy source. The environmental attributes are the environmental benefits—such as fewer carbon emissions and less pollution—that a clean, renewable resource has over a traditional resource like fossil fuels. RECs may be marketed separately from the energy or kept bundled with it.

It is important to note that the RECs also encompass the “claim” to the environmental attributes. That is, one may not make statements or claims about the environmental benefits of the energy if the RECs associated with that energy have been transferred to another party. Once RECs have been separated from the energy, the energy loses all legal and marketable claims to the environmental attributes.

A wealth of information about RECs can be acquired from organizations like Green-e, which specializes in certifying environmental commodities like RECs. See, www.green-e.org

REC Markets

The value of a REC, like most commodities, is subject to the demand for RECs. Demand is largely driven by two separate markets for RECs, the compliance market and the voluntary market.

The compliance market usually centers around state requirements that utilities acquire RECs to maintain a certain percentage of renewables in their generation portfolio. In most cases utilities will seek out the least expensive option for acquiring RECs and with the lowest transaction cost.

The Voluntary market encompasses RECs that are bought and sold outside of any regulatory mandate. One such example is SMPA’s Green Blocks program in

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which members purchase RECs from SMPA in order to establish the energy they use as renewable and green.

The value of RECs is also influenced by transaction costs and economies of scale. The trouble of creating contracts and documents to verify and transfer title of the RECs may make bringing just a few RECs to the market not worth the effort; whereas, dealing with a larger volume (hundreds or thousands of RECs) will typically pencil out.

RECs and Net Metering

Net meter system owners often seek the benefit of reducing their electric bill by generating their own electricity; they may also feel good about getting their power from a renewable resource.

While net meter system owners own the energy their system produces and can take advantage of this by reducing their electric bills, SMPA owns the RECs that are produced by the net meter system. Therefore, it is important that net meter system owners do not publically make the claim about offsetting carbon emissions or statements that their power comes from a renewable source. SMPA encourages net meter system owners to understand the benefit of assigning their RECs to SMPA and to purchase Green Blocks from SMPA if they wish to market their power as being green.

What does SMPA do with the RECs from Net Meter Systems, and how does the membership benefit?

SMPA uses the RECs from the production of all net meter systems in our Green Blocks program. Remember, one REC equals one MWh of production. One of the best features of the Green Blocks program is that all of the proceeds from Green Block sales go into the SMPA Green Fund. Dollars from the Green Fund are used to promote more renewables in our service territory, for example, through the funding of Solar PV rebates. The Green Fund is one of the biggest factors that have enabled SMPA to maintain a strong solar rebate program while most other utilities have dropped their rebate programs.

On an annual basis, SMPA sells about 1,500 RECs to members purchasing Green Blocks. That's nearly \$15,000 each year that goes into the Green Fund, and this number continues to grow as more and more members install renewable energy systems.

Green Blocks

Buying Green Blocks is a great way for SMPA members to affordably support the development of more local renewable energy. Each Green Block represents 100 kilowatt-hours (kWh) of renewable energy and costs only \$1; they are purchased monthly by members who participate in the program. Members can purchase as many Green Blocks as they wish.

SMPA allocates all of the RECs from net meter systems to our Green Blocks program and retires these RECs on behalf of the SMPA members that purchase them. For more information on Green Blocks see, <http://www.smpa.com/content/green-centsgreen-blocks>

Reference

1 REC = 1 megawatt-hour (MWh) of renewable energy generation.

1 megawatt-hour (MWh) = 1,000 kilowatt-hours (kWh)

1 Green Block = 100 kWh