

DRAFT CONCEPT PAPER

Background

On June 25, 2002, at the Annual Meeting of the Western Governors' Association,¹ an Energy Policy Resolution (02-26) was passed that said, in part:

Western Governors recognize that environmental attributes of electricity generated from renewable sources have economic value and can be sold separately from the energy as Renewable Energy Credits (RECs). Selling of RECs represent a market-based strategy to overcome transmission barriers and provide consumers access to the most economical renewable energy resources. RECs lower the costs of renewable energy and, in combination with other public policies supported by Western Governors, can accelerate the development of the West's most promising renewable resources. Accordingly, Western Governors support the:

- (i) Establishment of a single institution in the West that will issue, track and oversee REC trading,*
- (ii) Development of a standard set of market design and operating guidelines for trading RECs within the Western Interconnection, and*
- (iii) Creation of an independent, regional generation tracking system to provide data necessary to substantiate the number of megawatt hours generated from renewable energy sources and support verification, tracking and trading of RECs.*

The purpose of this project is to design and implement the system recommended by the WGA Policy Resolution described above.

Project Description

To design and implement a voluntary REC certificate issuing body, tracking and database system for the eleven western states that can be used to meet a variety of state energy needs.

Since it is believed this type of database and tracking system can serve multiple purposes at little additional incremental cost, the project team will explore the database and tracking needs of the Western States and try to accommodate those expanded purposes where feasible within the resource constraints of the project. Potentially, those needs may include:

¹ / Representing the Governor's offices of the states of: Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming.

1. To act as a verification body for:
 - a. RPS program compliance
 - b. Generation mandates and rate setting issues related to specific types of generation
 - c. Generation disclosure labels (possibly including generation emission information)
 - d. Consumer protection programs related to electricity attribute claims

2. To act as a registry and credible source information on Western system generation including:
 - a. Technology type
 - b. Fuel type
 - c. Size (MW)
 - d. Geographic location of facility
 - e. Production output
 - f. Generation emission data
 - g. Age of facility
 - h. Date of generation
 - i. Eligibility for state programs, e.g. RPS or CA customer credit
 - j. Facility contact information

3. To perform the function of an REC Issuing Body for the WECC region
 - a. Maintain database of information (listed above)
 - b. Maintain REC accounts for wholesale buyers/sellers within the region
 - c. Record the transfer of ownership of REC between account holders
 - d. Record the transfer RECs to other Issuing Bodies in other regions as appropriate
 - e. Record the disposition of the electrical energy associated with RECs
 - f. Retire RECs, for example if they are used to satisfy an RPS or sold to an end-use customer
 - g. Maintain a secure electronic data system
 - h. Participate as a member of the American Association of Issuing Bodies (AAIB)
 - i. Transfer RECs to Green House Gas Registries in a seamless manner, as needed
 - j. Provide services to RECs members as appropriate

Though designed as a voluntary system, governmental and non-governmental administrators of renewable energy (RE) programs can restrict participation in their programs to entities whose performance can be verified through the tracking system database.

Scope of Work

This project will bring together western regional stakeholders to design and implement a framework to establish a certificate issuing, tracking and database system for the eleven western states. See the attached scope of work for details. The general tasks include:

Phase I: Preliminary Tracking System Design

1. Formation of a Steering Committee and Initial Scoping Meeting
2. Data Collection on Needs of Western States
3. Development of Preliminary Draft System Design
4. Subcommittee Formation and Refinement of Draft
5. Stakeholder Meeting & Comments on Draft Design
6. Revised Draft Framework Plan & Comments
7. Final Framework Plan

Phase II: System Administrator and Development of Administrative/Implementation Plan

1. Secure Agreement with System Administrator
2. Develop Administrative and Implementation Plan

Phase III: System Software Development:

1. Identification of Software Contractor
2. Design of Software to Meet System Needs
3. Testing of Software

Phase IV: System Becomes Operational

It is anticipated that the Phase I: The system framework plan can be accomplished in six months. Phase II: Establishment of a System Administrator & Processes will probably take four to six months. Parallel with Phase II, Phase III can be begun, with an RFP issued to obtain a contractor to design and test the software system. This activity will likely take an additional six to nine months. At the same time, details of system administration, implementation and rollout will be finalized. Baring unforeseen circumstances or the development of legal issues, the target for having a Western issuing and tracking system on line in one year to eighteen months from the time funds are secured for the design and testing of the software and support for the first year of operation.