

# A Western renewables marketplace

**Jeremy Weinstein** describes a major US initiative to support the growth of renewable energy

One of the most exciting current developments in renewable energy in the US is the multilateral project now under way to develop the Western Renewable Energy Generation Information System (WREGIS). Currently funded by the Western Governors Association (WGA), the Western Regional Air Partnership (WRAP), and the California Energy Commission (CEC), WREGIS seeks to create a single regional system to track renewable resource generation from source to sink across 11 western states, two Canadian provinces and northern Baja in Mexico. It also aims to support verification and trading of renewable energy certificates (RECs), or 'green tags'.

This system will be important, and eventually essential, for state 'renewable portfolio standards' (RPSs) – programmes that mandate utilities to acquire a certain percentage of their generation from renewable resources – as well as for existing and future customer choice and voluntary programmes.

RECs allow a utility to buy the 'greenness' of renewable resources to 'green' power generated from fossil fuels or bought in the market. A renewable resource's generation loses its environmental attributes after the associated RECs are sold, and tracking these attributes is essential to ensure credibility for the use of RECs as a compliance mechanism. A robust RECs system should give consumers and regulators the assurance that generation from a renewable resource won't be given double credit as 'green'.

RECs also help level the playing field when intermittent wind and solar generators compete against baseload generators, especially with respect to reserve and transmission availability during periods of peak load demand. A state that opens its RPS compliance market to RECs generated out-of-state

will, in the long run, benefit through reciprocity. Therefore, a robust RECs marketplace will mitigate volumetric uncertainty for a utility seeking to comply with an RPS, while enhancing the availability of least-cost renewable energy alternatives.

Jeff Burks of WGA and the Utah Energy Office agrees. "We need to get beyond the general public view that renewables are more expensive than other forms of energy. State policies need to be consistent with the way our western grid and electricity markets function. Policies that seek to support development of in-state renewable energy resources and exclude more economical, out-of-state resources ... increase the cost of renewable energy to all consumers."

New Mexico's Governor Bill Richardson, chairman of the WGA, says: "Western states need a system to issue, track and verify renewable energy generation for use by state regulators and voluntary green market programmes."

But, to accomplish these important ends, there must be well-defined rules with credible tracking and uniformity. This not only helps define the legal property rights over RECs, it also promotes uniformity among state RPS standards.

The WREGIS effort aims to provide all this in the western US. Geographically, it will be the largest renewable energy tracking system implemented so far. While the WGA was amending its policies to include support for the generation tracking system and registry needed for a western regional green tags market, California began implementing its new RPS, which has the ambitious goal of requiring that 20% of the state's electricity come from renewable resources by 2010. The CEC is charged with developing an accounting system to verify compliance. The WGA and CEC recognised their mutual interest and began collaborating. This led to a survey of stakeholders and publication of a needs assessment report.

WREGIS stakeholders then set up various committees that are now meeting to address the key tasks identified. An ambitious timeline, driven by deadlines and funding in the California legislation, plans final rules by fall this year and an operational WREGIS by January 2005.

Major challenges include data collection in the face of 12 different transmission control areas, finding an institutional home for WREGIS and, of course, allocating costs. A survey is under way to understand how each control area deals with its data and how

WREGIS would gain access to it. There is no universal standard in the West, so the first unanticipated benefit from the WREGIS effort may be establishing a baseline for the standardisation of data collection and reporting in the region.

However, as Jan Hamrin, executive director of the Center for Resource Solutions, points out, "voluntary co-operation of, and across, control areas is not an insignificant task". WREGIS won't have the power to require control areas to report, and generators may have to pay for the service, which would add an additional cost to renewable energy.

A legal committee co-ordinated by Bill Westerfield of the CEC is reviewing such issues as: the institutional legal powers required and available; governance matters; issues to do with the Federal Energy Regulatory Commission; securities and commodity regulations; the US constitution; and participation by Canadian and Mexican generators.

Julie Blunden of Xenergy, who managed the needs assessment process, says "a credible, central source for renewable energy to be tracked is absolutely crucial to regulated and voluntary markets and WREGIS, by providing that, will help overcome obstacles to meeting regulatory mandates by increasing the range of resources available, and overcoming questions raised as to the credibility of RECs."

More and more jurisdictions are adopting RPSs and other programmes that encourage or require the use of renewable resources. Potential US global warming legislation may permit compliance with caps on carbon dioxide emissions through the use of renewable energy. Effectively commoditising renewable resource generation under the auspices of a credible organisation with broad participation – the goal of WREGIS – offers an important market mechanism for cost-effective compliance with present and future state and federal regulation.

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